



KANSAS

Junction City

Fiscal Policy And Procedures

Adopted September __, 2011

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Introduction

Forward

This handbook is a compilation of financial policies to be observed by elected and appointed officials of the City of Junction City. The intent of this manual is to combine all of the fiscal policies to a central location, so those with significant degrees of fiscal responsibility can find relevant financial policies to conform to and ensure that their practices meet standards laid out herein.

These policies are primarily intended for department heads and accounting staff. However, they should also be made available to individuals within the department who have budgetary authority, those who make frequent and regular purchases on behalf of the City, supervisory personnel, etc. These policies are open to review by any interested parties, employees, or citizens.

Purpose

The City Commission, City Manager, Finance Director, City Treasurer and Department Directors of the City have an important responsibility to carefully account for public funds, to manage municipal finances wisely, and to plan and provide for adequate funding of services desired by the public as required by laws, rules, and regulations, including the provision and maintenance of public facilities and improvements. The financial goals and policies set forth in this policy are intended to establish the future financial strength and stability of the City of Junction City. They should be reviewed annually and amended as needed.

These policies also establish a system of checks and balances for the protection of public funds. This system applies not only to expenditures, but revenues as well. In order for these checks and balances to be preserved and the public trust to be retained in the management of these funds, each person involved in these processes is required to follow the procedures provided in these policies and expected to ask questions when they need to be asked. Ultimately, everyone is responsible for the enforcement of these policies and failure to do so on the part of one person reflects poorly on all.

Financial Goals

Financial goals are broad, relatively timeless statements of the financial position the city seeks to attain. The financial goals of the City of Junction City are:

- To provide full value for each tax dollar by delivering quality services efficiently and on a cost-effective basis.
- To preserve our quality of life by providing and maintaining adequate financial resources necessary to sustain a sufficient level of municipal services, and to respond to changes in the economy, the priorities of the governing body, and other changes that may affect our financial well-being.
- To manage funds as if the City of Junction City is required to secure and maintain a strong credit rating in the financial community.

Financial Policies

Financial policies support financial goals. They are general statements, which guide decision making in specific situations, to ensure that a decision will contribute to the attainment of the aforementioned financial goals. Federal and State laws, rules, and regulations, our City Code, and when prudent, generally accepted accounting principles as presented by the Governmental Accounting Standards Board (GASB), Government Finance Officers of the United States and Canada (GFOA), and the Kansas Municipal Clerk Association (KMCA), govern our financial policies and processes.

These are the financial policies adopted by the Junction City Commission as set forth herein, and it is the responsibility of the City Manager and Finance Director to enforce them.

Periodic Review

The City Commission shall review the Junction City Fiscal Policy and the Accounting Procedures Handbook, and each of the policies contained therein, at least annually.

Operating Position

Operating position refers to the City's ability to balance its budget on a current basis, maintain reserves for emergencies, and maintain sufficient cash to pay its bills on a timely basis. Our operating position policy requires the following:

- The City Treasurer will pay all current operating expenditures with current operating revenues.
- Encumbrances represent commitments related to unperformed contracts for goods or services, and will be recorded when incurred. Encumbrances outstanding at year-end will be reported as reservations of fund balance.
- The City Commission and City Manager will strive to maintain the unreserved, undesignated fund balance of the General Fund at a level equal to 5% of the total General Fund appropriations.
- The City Commission and City Manager will strive to maintain a contingency in all funds between 7% and 10% of the budgeted expenditures for said fund.
- General Fund unreserved and undesignated fund balances should be used for capital or emergency expenditures.
- The City Finance Director will prepare a cash-flow analysis of all funds on a bi-annual basis unless otherwise directed by the City Manager or City Commission. Disbursements, collections and investments will be managed to provide sufficient cash for daily financial needs.

The City Treasurer and City Finance Director will work together to prepare quarterly financial reports of the financial position and results of operations, and an analysis thereof, for the General Fund, Special Revenue Funds, Debt Service Funds, and Enterprise Funds.

Responsibility

All Department Directors are responsible for instructing departmental personnel in departmental policies and procedures as appropriate and employees are responsible to adhere to them. No exceptions will be made to this policy without the express written permission of the City Manager. Any employee who violates the guidelines in this policy will be disciplined in accordance with the City of Junction City's Personnel Policies and Guidelines Book.

CHAPTER 1 – BUDGET

1.01 Definitions

Cash balance: The sum of cash and investments of an accounting fund.

Unreserved Fund Balance: The portion of net assets of an accounting fund, calculated in accordance with generally accepted accounting principles that is not legally restricted for future use. Net assets represent the difference between total assets and total liabilities of an accounting fund.

General Fund: The City's primary operating fund that accounts for City services not otherwise specified in a separate fund.

Special Revenue Funds: Accounts for proceeds of designated revenue sources used to finance specific activities as required by law or administrative regulation. This policy does not apply to all Special Revenue Funds because of statutory restrictions or the distinct purpose of the fund – a list of funds for which this policy applies is listed in a separate procedures document.

Debt Service Funds: Accounts for the proceeds of designated revenue sources used to finance general obligation debt.

Internal Service Funds: Accounts for the financing and administration of general services provided to various departments of the City.

Capital Funds: Accounts for capital improvements financed from unreserved funds, general obligation bond issues, special assessments and certain Federal grants.

Enterprise Funds: Accounts for activities for which a fee is charged to external users for goods and services.

1.02 General Budget Policy

The budget is one of the most important documents the City prepares since it identifies the services to be provided and how the services are to be financed. Budgeting is an essential element of the financial planning, control, and evaluation process of municipal government. During the budget process, the City shall reorganize both short-term needs and objectives in relation to the long-term goals of the City. The annual budget will be prepared and adopted in accordance with state laws.

Sound financial practice and securing and maintaining a strong credit rating dictates that our budgets be balanced, constantly monitored, and responsive to changes in service demands. With these concepts in mind, the City adopts the following budget policy statements:

1. The City will establish and maintain accounting records in such a manner that reports may be issued on a basis consistent with Generally Accepted Accounting Principles (GAAP) and statutory requirements.
2. The City will maintain a record of fixed assets which identifies all material assets, except for general infrastructure assets. General infrastructure assets are assets such as streets and drainage facilities which, if properly maintained, shall reach its' life expectancy.
3. The City will contract for an annual audit of accounting records. The audit shall be conducted in accordance with the Federal Single Audit Act and shall provide an opinion on the Comprehensive Annual Financial Report which shall be prepared on a GAAP basis.
4. The City will comply with all financial reporting requirements set forth in Kansas law.
5. The City will identify and implement less formal methods than the annual budget document and the Comprehensive Annual Financial Report to provide important financial data to the citizens of the community. Efforts will be made to provide these "popular reports" via print and electronic media.

6. The City Manager will provide the community with a year-end summary (unaudited) financial report within 120 days of the end of the fiscal year. Interim updates on financial condition shall also be provided to the City Commission throughout the year.
7. Annual operating budgets will be adopted for the General Fund, Special Revenue Funds, Proprietary/Enterprise Funds, and Debt Service Funds.
8. Annual operating budgets will be adopted on a balanced basis, where estimated operating revenues are used to fund operating expenditures (appropriations). Operating revenues include taxes, charges for services, interest earnings, franchise fees, license and permit fees, fines, penalties, and forfeitures, regularly recurring governmental aid such as demand transfers and scheduled grant funding, debt proceeds and transfers from other funds for operating (non-capital) purposes. Operating expenditures include salaries and wages, employee benefits, non-capital equipment and improvements, depreciation (proprietary funds only), materials, supplies, contractual costs, transfers to other funds for operating (non-capital) purposes. Nothing in this policy shall prohibit the use of operating revenues for capital improvements. Unreserved and undesignated fund balances may be appropriated as part of the adopted budget to fund capital or emergency expenditures. Unreserved and undesignated fund balance should not be used for operating expenditures in the adopted budget.
9. Unencumbered general fund balances may not exceed 15% of the total budget of the fund and must comply with all facets of Kansas State Budget Law, KSA 79-2927.
10. The City's fiscal year shall be the calendar year.
11. The City Manager or City Finance Director may at any time during the fiscal year transfer part or all of any available appropriation balance among programs or accounts within any fund not to exceed a sum of \$10,000. The City Commission may transfer part or all of any available appropriation balance among programs or accounts within and between funds.
12. No appropriation for debt service may be reduced or transferred, and no appropriation may be reduced below any amount required by law to be appropriated or by more than the amount of the available balance thereof.
13. The City may establish reserve funds by resolution and budget for fund transfers to these or other City funds as allowed by Kansas State Budget Law.
14. The City shall invest all surplus funds as allowed by State General Investment Law, KSA 12-1675, and City Investment Policy.
15. Individual department heads may adopt policies applicable to their respective departments that are more stringent, but not less stringent than the City Commission's policies.

1.03 Budgeted Funds

There are a variety of funds that the City Commission could establish and utilize. State law governs what funds a Commission may establish, how the funds are to be used, what revenue sources can fund these various funds, and whether or not these funds are required to be budgeted or not. The City of Junction City uses several types of funds. The types of funds and their purposes are as follows:

General Fund: The General Fund is used to account for all unrestricted financial resources except those required to be accounted for in another fund. This is a tax levy fund used for general government operations or functions of the City and contains city revenues not otherwise earmarked for specific activities.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than special assessments or major capital projects that are restricted by

law or administrative action to expenditures for specific purposes. These funds may include tax and non-tax revenues devoted to specific activities such as special highway and economic development.

Debt Service Funds: Debt service funds are used to account for the accumulation of resources for and the payment of, interest and principal on general long-term debt and the financing of special assessments which are general obligations of the City.

Capital Projects Funds: Capital Projects Funds are used to account for financial resources segregated for the acquisition or construction of major capital facilities and improvements, other than those financed by Proprietary Funds.

Enterprise Funds: Enterprise Funds are used to account for operations where it is the intent that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges. They account for operations such as water, wastewater, storm water, and solid waste.

1.04 Revenue Sources

Revenues determine the capacity of a local government to provide services. Under ideal conditions, revenues would grow at a rate equal to or greater than expenditures. To ensure that our revenues are balanced and capable of supporting our desired levels of services, the City has adopted the following revenue policy statements:

- A process to review diversified and stable revenues will be maintained to shelter the City from short-run fluctuations in any one revenue source.
- Each year and whenever appropriate, existing revenues will be re-examined and possible new sources of revenue will be explored to ensure that the City is maximizing revenue potential.
- Each year, major revenues will be projected for at least two years and beyond if warranted.
- Legally restricted revenues will be avoided when they adversely affect the short or long-term financial health of the City.
- Staff will strive to be informed and aware of all grants and other aid that may be available. All potential grants and other aid shall be carefully examined for matching requirements (both dollar and level-of-effort) and restrictive covenants, to ensure that participation in such grants will be beneficial and cost-effective.
- Each year or whenever appropriate, intergovernmental revenues will be reviewed to determine their short and long-term stability, to minimize the impact of any adverse changes.
- Intergovernmental revenues shall be used as legally prescribed or otherwise established by policy.
- One-time revenues will be used for capital improvements or as legally restricted to a purpose.
- Staff will carefully and routinely monitor any amounts due the City. The City will use all legal means available to collect all receivables, including property taxes.
- Recreation user charges and fees should be set to recover at least 75% of total costs generated by recreation programs.
- Enterprise funds will generate revenue sufficient to support the full direct and indirect costs of these funds.
- Revenue forecasts shall be conservative, using generally accepted forecasting techniques and appropriate data whenever possible.

- Each year and whenever appropriate, we shall review our schedule of fees and related administrative procedures.

1.05 Expenditures

Expenditures are a rough measure of a local government's service output. While expenditures can be controlled, such items as emergencies, unfunded mandates, and unanticipated service demands may strain our ability to maintain a balanced budget. To ensure the proper control of expenditures and provide for a quick and effective response to adverse financial situations, the City has adopted the following expenditure policy statements:

1. Expenditures and purchase commitments will be made in a form and process that is appropriate, funded, authorized, sufficiently documented, and legal in accordance with state and federal laws.
2. Expenditures and purchase commitments will be recorded in an accurate and timely fashion.
3. The review and approval process for all claims against the City shall be in accordance with City purchase policy.
 - a. Departments must purchase supplies, services and capital as required under the City's purchase policy. Departments are encouraged to issue purchase orders whenever practical, even if they are not required.
 - b. Properly completed claims must be prepared and submitted to the Accounts Payable Clerk or said designee by the department responsible for originating the claim.
 - c. A "properly completed claim" must include the vendor's name and address, date of claim, explanation, and accounts to be charged, department authorization signature and sufficient documentation.
 - d. Sufficient documentation" means that a person unfamiliar with the transaction could understand what was ordered, when, by whom, from what vendor, at what price, when the goods or services were delivered or are to be delivered, who accepted delivery, and who authorized payment.
 - e. Typical documentation includes copies of purchase orders, invoices or statements, City Commission minutes or resolutions awarding bids or state and local contracts, records of quotes received, receiving slips, correspondence and other communications.
 - f. The Accounts Payable Clerk or designee will issue checks promptly for all claims properly completed and submitted after City Commission approval of the claims, except for payments to the U.S. Postal Service for postage, all utility invoices, any transfer to the Library Fund, deposit refunds, bond refunds, and restitution payments as ordered by the municipal judge, and purchase card invoices. The listed exceptions may be paid prior to approval but must be processed like all other claims on the next appropriation report for Commission review and approval.
4. The balances in appropriation accounts will be monitored regularly to ensure that the total of expenditures and purchase commitments in any account do not exceed the authorized budget for that account.
5. Requests for competitive bids, proposals, formal and informal quotes, and other methods of seeking and encouraging vendor competition will be obtained as required by law or otherwise established by City policies.
6. To reduce cost and/or improve efficiency and effectiveness while maintaining service quality, departments are allowed to contract with other governments, private individuals, and firms to cooperatively deliver services.

7. The full direct and indirect costs will be calculated for any service provided for a fee or charge, or where there is a potential for the reimbursement of such costs.
8. Maintain an effective risk management program that provides adequate coverage, minimizes losses, and reduces costs.
9. All appropriations shall lapse at the close of the fiscal year to the extent that they shall not have been expended or encumbered.

1.06 Fund Balances

City finances will be managed so as to maintain balances of the various funds at levels sufficient to mitigate current and future risks, such as revenue shortfalls and unanticipated expenditures, ensure stable tax rates, and protect the City's creditworthiness.

1.07 Fund Balance Procedures

A. Minimum cash balance: In order to provide liquidity adequate to address unexpected revenue reductions or unanticipated expenditures, the General Fund will be managed by the Finance Director in such a way as to maintain a minimum cash balance on the last day of each calendar quarter equal to at least five percent of budgeted annual expenditures and transfers out. All Special Revenue Funds, Debt Service Funds, and Internal Service Funds will be managed by the Finance Director in such a way as to maintain a minimum cash balance on the last day of each calendar quarter equal to at least five percent of the fund's budgeted annual expenditures and transfers out. Capital Funds will be managed by the Finance Director in such a way as to maintain a positive cash balance on the last day of each calendar quarter in each bond series currently financing or in-process of financing capital projects.

B. Minimum unreserved fund balance: In order to avoid service disruptions that otherwise could arise from revenue shortfalls or unanticipated expenditures, the General Fund will be managed by the Finance Director in such a way as to maintain a minimum unreserved fund balance on the last day of each calendar quarter equal to at least five percent of budgeted annual expenditures and transfers out. All Special Revenue Funds, Debt Service Funds, Enterprise Funds, and Internal Service Funds will be managed by the Finance Director in such a way as to maintain a minimum unreserved fund balance on the last day of each calendar quarter equal to at least five percent of the fund's budgeted annual expenditures and transfers out. Capital Funds will be managed by the Finance Director in such a way as to maintain a positive unreserved fund balance on the last day of each calendar quarter in each bond series currently financing or in-process of financing capital projects.

C. Excess unreserved fund balance: In the event the unreserved fund balance exceeds the minimum balance requirements in the General Fund, Special Revenue Funds, Debt Service Funds, and Enterprise Funds at the end of each fiscal year, the excess may be used in one or a combination of the following ways:

- Debt reduction.
- One-time expenditures that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs.
- Establishment of or increase in reserves for risk management programs, equipment replacement, capital projects, emergencies, or disaster recovery.
- Start-up expenditures for new programs, provided that such action is approved by the City Commission and is considered in the context of multi-year projections of revenue and expenditures as prepared by the Finance Director.

In the event the unreserved fund balance exceeds the minimum balance requirements in the Internal Service Funds at the end of each fiscal year, the excess may be used in one or a combination of the following ways:

- Reduce the charges for services levied against other funds.

- Return the excess balance to the fund(s) it was originally derived from.

D. Restoration of minimum cash or unreserved fund balance: Should the cash balance or unreserved fund balance fall below the target level, the Finance Director will prepare and implement a plan for restoration of the balance to the target level and achieve the target level as soon as practicable within six calendar quarters of the deficiency.

1.08 Budget Adjustment and Interfund Transfer

A. Purpose: The bottom line for expenditure authority is a department's total adopted budget within a given fund; however, adjustments from one line item to another are often unavoidable. Many unforeseen events can occur after the budget development process takes place and before a budget is implemented and reported in the City's accounting system. In addition, unanticipated needs arise during an operating year and may require unbudgeted expenditures. Budget adjustment procedures are hereby established to allow and account for such unexpected events.

B. Specific Needs for Budget Adjustments:

1. When a department determines a need to make expenditures that will place an account in a deficit position, a budget adjustment form will be used. The purpose of the form is to gather information for the evaluation process (by the department, the Finance Director and the City Manager) and to obtain management approval to implement the budget change in the accounting system. This process enables departments to manage efficiently within their approved total budget limit. The procedure for these adjustments is outlined in the accounting procedures manual.
2. In adopting the annual budget, the City Commission sometimes approves added (contingent) expenditure authority above a department's planned expenditures, based on the department's capacity to generate added (contingent) revenues. Such adjustments are reviewed and processed under the adjustment procedures outlined in the accounting procedures manual.

1.09 Inter Fund Transfers

State law prohibits inter fund transfers between funds except under very special circumstances, and only when the integrity of the fund's legal purpose and use of sources are maintained. If inter fund transfers are not planned during the budget, then the transfers must be accomplished by two budget adjustments: (1) a within-fund budget adjustment to the (inter fund transfer) sub-object, and (2) a budget adjustment from the sub-object to the (revenue sub-object) new fund. Such transactions are prepared in consultation with the Budget Office and must meet all statutory criteria. All inter fund transfers between two differing funds must be approved by the City Commission through the budget process as a budget adjustment or budget amendment.

1.10 Amending the Budget

A. Municipalities are authorized by K.S.A. 79-2929a to amend budgets to spend money not in the original budget. The additional expenditures are to be made from existing revenue and cannot require additional tax levies. The revenue should be analyzed to be sure that the revenue source is required to be included in the proposed budget. State or federal grants do not require a budget amendment. A budget amendment is not required if the receipt results from a source exempt by statute from the budget law.

The budget can be amended when actual beginning balance exceeds the estimated beginning balance so that there is sufficient budget authority to use the excess balance. Budget amendments will be processed as per state statute by the Finance Director.

The amendment process can be done at anytime during the year, but must be completed before exceeding the municipality's budget authority. The last budget amendment may occur is on or before the December 31st of the budgeted year. In order for a municipality to meet the December

31st deadline, the following must occur: forms completed, Notice of Budget Hearing published, budget hearing held, governing body certifies the amendment, and amendment sent to the County Clerk. See accounting procedures manual for process to follow.

CHAPTER 2 - REVENUE CONTROL and MANAGEMENT

2.01 Revenue Policy

The City collects revenues, primarily in the form of property taxes, sales taxes, permits, and user fees to provide services and meet operational needs. The structure, fluctuation, and collection of revenues are examined by rating agencies to determine the City's credit quality.

A. The City will maintain a diversified and stable revenue system to shelter it from short-term fluctuations in any one revenue source.

B. The City's overall revenue structure should be designed to recapture for the City some of the financial benefits resulting from City economic and community development projects.

C. The City will strive to keep a total revenue mix that encourages growth and keeps Junction City economically competitive, and a City of choice for people to live in and do business.

D. Major revenue sources should provide for the following principles:

Vertical Equity. Revenue sources should provide appropriate treatment of taxpayers at different levels of economic well being.

Horizontal Equity. Revenue sources should treat taxpayers with the same income or wealth equally.

Neutrality. Revenue sources should not unduly influence economic decisions by consumers or businesses except for targeted development or redevelopment programs approved by the City Commission.

2.02 Administrative and Compliance Costs

Revenue administration and enforcement should not absorb an undue percentage of total revenue. The following statements will apply:

A. The City will establish all user charges and fees at a level related to the cost of providing the services.

B. The City will estimate its annual revenues by an objective and analytical process.

C. It shall be the goal of the City that all Enterprise Funds should be self-supporting.

2.03 Revenue Controls

Proper controls over revenue are important to ensure strong financial management practices.

This policy applies to all revenue collected, except where state or federal laws supersede.

2.04 Internal Controls

All aspects of cash receipts and accounts receivable shall be subject to proper internal controls. Management of each department shall be familiar with the Revenue Policy and establish standard internal controls that are properly documented and followed by staff members to ensure compliance with the policy.

It is the policy of the City of Junction City for all money collected by any officer or employee of the City to transfer those funds to the Customer Service Center within one business day or when at the end of the day cash balance exceeds \$500.00 plus start-up cash.

The City Treasurer is responsible for maintaining an internal control structure to provide reasonable, but not absolute, assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition that transactions are executed in accordance with management's authorization and recorded properly, and that deposits and investments are managed prudently and in compliance with applicable laws and regulations.

Cash and cash equivalents must be safeguarded under an effective internal control structure to safeguard the funds and reduce the risk for misappropriation. The following are general control procedures which will be in place for all operations in which employees accept cash, checks, money orders, credit cards, wire transfers, ACH deposits, etc. (referred to as "cash" from herein) to prevent or detect losses. This policy also applies to working cash accounts such as petty cash.

2.05 Cash Collection Locations

A list of cash collection locations shall be maintained by the City Treasurer. Any new cash collection locations must be approved by the City Treasurer.

2.06 Separation of Duties

Few employee theft cases involve collusion; the majority of all cases are carried out by one person acting alone. For that reason, internal control procedures over cash transactions should be established which maintain a strict separation of duties of three key responsibilities:

- The responsibility for authorizing cash transactions.
- The responsibility for collecting or paying cash.
- The responsibility for maintaining records of accountability.

Separation is adequate when no one employee can misappropriate assets (cash) or improperly record a transaction without detection. Each location is to have a separation of duties which provides reasonable assurance of the completeness and accuracy of recorded cash transactions and balances.

Bank statement reconciliation fall under the same control requirements; the same employee should not be performing the reconciliation and record keeping, handling the cash or check supply (making deposits), and be responsible for authorizing the transactions and supervisory review of the process.

2.07 Secured Access

Cash should be secured (i.e., in a locked cash drawer, etc.) at all times and the key properly secured or maintained with the employee responsible.

2.08 Responsibility

Responsibility for the collection of and access to cash should be limited to as few people as possible (ideally one person who is fully responsible with periodic review by supervisory personnel). If cash drawers are shared by more than one employee, control is lost over who is responsible for any subsequent losses. If a cash drawer is shared, but not simultaneously, upon an employee completing their shift, etc., they should count the cash on hand and the employee receiving the drawer from which to work should verify and sign for that specific amount of cash so there is a transfer of accountability.

2.09 Reconciliations

Any employee responsible for accepting cash is required to balance their cash drawer and the collected cash on each day that cash is collected. If the Cash Collection Location operates an automated Point of Sale (POS) receipting system, the cash drawer will be balanced to the POS system cash receipts report. If the Cash Collection Location provides manual receipts, and does not operate an automated Point of Sale (POS) receipting system, the cash drawer will be balanced to the manual receipts. The cash drawer should be balanced as follows to the daily cash receipts:

Total Actual Cash (currency plus change) + Total Checks and Money Orders + Total Credit Card Payments + Wire Transfers In + ACH Deposits - Opening Cash Drawer Amount (if any) = Total Receipts Collected

The reconciled total should be initialed and dated by the responsible employee.

2.10 Daily Bank Deposits and Revenue Recording

After the daily cash receipts are balanced, a daily bank deposit for all cash, checks and money orders will be prepared. Cash Reports for recording the cash receipts will be forwarded daily to Treasury in one of three ways:

a. If the Cash Collection Location operates with an interfacing automated Point of Sale (POS) receipting system, the interface file will be initiated and an email will be sent to Treasurer detailing the total of all deposit slips and credit card batches that match the processed interface file receipt total. The Treasurer email is sent to "Revenue Report".

b. If the Cash Collection Location operates without an interfacing automated Point of Sale (POS) receipting system, but is authorized to enter cash reports directly into the Performance Accounting Revenue Entry screen, the cash report will be entered into Performance and an email will be sent to Treasury detailing the total of all deposit slips and credit card batches that match the Performance Revenue Entry document cash total. The Treasury email is sent to "Revenue Report".

c. If the Cash Collection Location operates without an interfacing automated Point of Sale (POS) receipting system and without access to the Performance Accounting Revenue Entry Screen, a manual cash report will be prepared and sent to the Treasurer's Office along with a copy of the bank deposit ticket(s) and credit card batch total.

2.11 Documenting Overages and Shortages

Overages and shortages should be recorded daily on the Cash Collection Locations cash report. If an automated Point of Sale (POS) receipting system is used, the overage or shortage should be entered into that system. Documentation for cash balance errors requires the following authorizations: Amounts up to \$5.00 may be authorized by the direct supervisor. Amounts between \$5.00 and \$20.00 require Department Manager authorization and amounts greater than \$20.00 require Department Head authorization. The signed documentation should be retained in the Cash Collection Location for three years to be made available upon request to authorized persons.

2.12 Cash Drawer Transitions

If a new cash handler will be accessing a cash drawer previously handled by someone else, a new drawer should be set up for the new cash handler. A supervisor should conduct a full reconciliation of the original drawer with the departing cash handler.

2.13 Supervisory Review

A supervisor, or responsible second employee, shall verify the reconciliation and recount the cash on a periodic (daily, weekly) basis depending on the significance of the amount and activity. This should be done in the presence of the employee responsible so there are no questions if there are unexplained discrepancies. Once both the supervisor and employee agree, the supervisor is to initial and date the final amount. In the event of a loss, a supervisor must conduct whatever investigation or cash control review deemed necessary.

2.14 Pre-numbered Receipts/Documentation

Providing the "customer" a receipt provides a third party control to ensure what was recorded as received is what the customer actually paid. A receipt can be in the form of the document which

was purchased (i.e., license) or something similar to a cash register receipt. Receipts should be pre-numbered and voids accounted for to ensure receipts are not given for cash which is never deposited and to ensure "services" (i.e., licenses, etc.) are not issued without receipt of payment. Voided transactions/receipts require supervisor review and acknowledgement. Documentation of this acknowledgement should be retained with the detail receipting and reporting within the department for review by authorized persons. Pre-numbering receipts only works if there is subsequent supervisory review over the sequence to ensure the used and unused stock is in order. This also requires duplicate copies or an internal computer system reference to the transaction to support the activity. Manual pre-numbered receipts should only be provided if an automated Point of Sale (POS) receipting system receipt is not available. Manual receipt books should be retained at the Cash Collection Location for the three-year record retention period and be made available for audits.

2.15 Adjustments and Discounts

Adjustments to the amount owed or "customer discounts" are not to be authorized at a non-supervisory level and are to be avoided. If such adjustments are made, additional documentation of the authority and reason is to be added to the supporting documentation and initialed and dated by a supervisor. Any adjustment greater than \$250.00 must be pre-approved by the Finance Director or City Manager.

2.16 I.O.U's "Temporary borrowing" from cash on hand is prohibited.

2.17 Computer Cash Processes

General computer controls are to be in place to prevent circumvention of the above controls through an automated system (i.e., access controlled to prevent a second employee from adjusting a transaction that another employee input without some sort of documentation and review).

2.18 External Inquiries

Procedures should be set up to encourage inquiries from customers if they have questions or see something unusual in how their transaction is handled. Supervisors will be available (in addition to the employee processing transactions) to answer personal, written, email and phone inquiries questioning delinquency notices where payment has already been made.

2.19. Mandatory Vacation Leave Although mandatory vacations are not required for all employees, this internal control procedure should be implemented as each department sees fit for sensitive positions such as those which routinely handle cash and the perform the reconciliation process. A minimum of one week of consecutive day's vacation is recommended.

2.20 Management Information Systems

Financial data needs to be effectively utilized to assist in the identification of unexplained, dwindling cash receipts or unsubstantiated and increasing delinquencies.

2.21 Bank and Merchant Services Accounts

The City Treasurer is the only employee authorized to establish bank accounts and merchant services agreements. Deposits can only be deposited in bank accounts authorized by the City Treasurer. Credit card transactions can only be accepted through merchant services accounts authorized by the City Treasurer.

2.22 Accounting Practices

All receipts and receivables shall be recorded in keeping with current authoritative standards and practices.

- Revenue shall be recorded in the proper general ledger account.
- Revenues shall be recorded in the proper fiscal accounting period.

2.23 Cash Receipting

The City accepts payment by a variety of methods: cash, check, credit card and electronic transfers. For guidelines addressing credit card transactions, see Accounts Receivable Credit Cards.

2.24 Check Acceptance at Service Counters

Make check payable to: The City of Junction City. For your protection, we may ask to see proof of your identity. All checks must have the following information on them:

1. Driver's license number
2. Phone number
3. Initials of person accepting the payment.

Identification of the person writing the check should be verified whenever possible.

This information is necessary in order to do complete follow up in those cases where a check is returned by the bank. In some cases it may not be feasible to obtain this information. However, the staff accepting the check should obtain it whenever possible.

The City of Junction City does *not* accept two party checks or checks for more than the amount of purchase, nor will we cash checks for employees or customers unless through authorized contractor.

2.25 Accounts Receivable

General policies are described first, followed by policies that apply to specific service areas. General policies shall apply, except as specifically overridden or supplemented by a service area policy.

The City of Junction City encourages payment by cash, check, or credit/debit card. However, in some cases, based on the specifics of the situation, open accounts may be established. This will generally be very limited to those who have repetitive and regular business with the City, or in those situations where the cost of services cannot be determined until after the services have been completed.

2.26 Credit Card Acceptance

The City of Junction City will accept credit cards for any transaction, except those that are prohibited by law. However,

- We will not give cash advances (to customers or employees) on credit cards.
- We will not accept credit/debit cards in payment of a returned check.
- We cannot accept a card on an account that has been written off as bad debt, unless the customer has a currently active account or is going to start an active account with us. This will include any water account that is in "Collection" or "Written Off" status.
- We will not accept partial payments with credit cards. If a credit card is used, the amount due must be paid in full. In the case of Water Customer Accounting, when a customer is terminated for non-payment, credit card transactions are to be handled in the same

manner as cash. We will attempt to collect the full balance, but if the customer objects, only the past due amount may be collected.

Cards need to be signed by the person named on the face of the card. In the case of corporate/company cards, we can accept appropriate corporate identification—that is, a photo ID in the company name or similar identification in lieu of a signature.

We will take credit/debit card payments over the telephone. While you are still on the telephone with the customer you must get pre-authorization for the total amount to be paid.

Information about a customer's credit card will not be disclosed. Any documentation (except the sales ticket) which has the credit card number, authorization code or similar information on it will be destroyed by shredding as soon as it is no longer needed to complete the transaction.

We will not keep customer credit card information on any internal documents. (Service Orders, customer request forms, permits, licenses, etc.). Working documents with credit card numbers noted on them will be shredded.

All telephone credit card payments will be completed as quickly as possible. Leaving them lying around the office is equal to leaving payments laying around. With telephone payments, please have the customer give you their name. This should be printed on the cardholder signature line of the form, with a notation "By Telephone".

Credit card sales slips are to be treated like cash or checks. Please keep them in the cash drawer or other secure location until they can be submitted with the deposit.

When you close your cash drawer for the day you must do the Credit card Settlement to submit those Credit card transactions for payment. Any credit card payments taken after you do the Settlement will be included in the next Settlement report that you submit.

2.27 Charge Accounts

An account receivable shall be established for services provided in advance of payment

- All initiated bills shall have a due date of 30 days from the bill date, unless otherwise stated per ordinance or resolution. All bills shall be generated within 7 days after initial service provision.
- When services are provided by the department prior to the receipt of funds for such Services, an on-going accounts receivable record shall be maintained.
- Bills shall be generated in a centralized accounts receivable system wherever possible.

When bills are generated from a stand alone system, the receivable shall be recorded in the accounts receivable system that is transferred to the central general ledger and reconciled to the general ledger within 7 days of the close of the fiscal accounting period.

Information required to establish an account:

Billing name and address

Responsible Party Name and address (if different)

EIN or SSN for responsible party

Telephone number

List of other accounts held with the City of Junction City

Bank reference

As a convenience to the customer, accounts established for minimal (less than \$25) initial charges, may be established without the above information. However, it shall be gathered before subsequent charges are made.

Applications for charge accounts will be reviewed on a case by case basis. Conditions required for establishing an account (including temporary accounts) may include the requirement to file an irrevocable letter of credit running to the benefit of the City, in the attached form, prepayment arrangements, security deposits, or other conditions appropriate to the circumstances.

Whenever possible, new charge accounts are not to be established for businesses or individuals whom have delinquent amounts due on other accounts held with the City.

Remittances: All payments, unless otherwise specified, shall be remitted to:

City of Junction City
P. O. Box 287
700 N. Jefferson St.
Junction City, KS 66441-0287

Timing of Billing, Due Dates: Payment for services are due within 20 days and are considered delinquent within 40 days of the billing date. Timing of billing may vary, depending on the services billed.

Fees and Charges: Fees and charges shall apply as established by resolution, ordinance, or administrative action. Most fees and charges are itemized in the Comprehensive Fee Schedule, available from the City Treasurer's or City Clerk's Office.

Method of Payment: Electronic payment through Bank draft shall be encouraged to the extent possible and appropriate. Other acceptable methods of payment include cash, check, cash equivalents such as money orders, and credit card (most locations).

Late Fees, Delinquency: Late fees may be applied after the due date. Unless otherwise specified, late fees shall be as follows: For regularly scheduled services that may be suspended: A 10% one-time fee applied to the outstanding balance. This applies primarily to Water, Wastewater, and Solid Waste services. The City reserves the right to establish additional conditions on customers with delinquent accounts, including accelerated payment schedules, "cash only" status, or additional security for the account.

2.28 Adjustments of Accounts Receivable

A. Billing Error: Adjustments to receivable accounts may be made in those cases where the Department Head or Accounts Payable Clerk has erred in applying the charges. An adjustment requires the approval of the City Treasurer or Finance Director. All adjustment must be documented and signed off. A record of such transactions will be kept by the City Treasurer.

B. Collection Fee Adjustments: When a third party collects an account on behalf of the City, they normally retain a percentage of the payment as their fee. These amounts are written off as uncollectable at the time the payment is received from the collection agency. They do not require specific approval.

C. Bad Debt/Bankruptcy: When it becomes apparent that the likelihood of collecting an account due to age, bankruptcy, or other factors is minimal, the account will be written off the receivables accounts as a bad debt. These adjustments require the approval of the as outlined in

section 2.35 unless approval has been specifically granted through contracted billing service agency.

2.29 Depositing of Received Funds

Treasury management shall serve as primary recipient for all revenue collection sites. Each department with remote collection responsibility shall establish and maintain an adequate system of internal controls for receipts. Controls shall include, at a minimum, the following:

- Numerically controlled (accounting system generated or paper) official receipts with the Printed name of the department for all revenue. Receipt books issued by the government must be accounted for numerically. The use of generic non-numbered receipts is strictly prohibited;
- The method of payment (e.g. cash, check or credit card) shall be indicated on the receipt;
- Identification of the individual receiving payment on receipt;
- Wherever possible, the receipt shall allow for immediate revenue account classification in conformance with the established chart of accounts. If not possible, the department and fund shall be indicated;
- Restrictive endorsement (stamped for deposit only) of checks at the point and time of collection;
- Reconciliation of collections by an individual not involved in the receipting or posting process or establishment of mitigating controls;
- Recording of receipts in the financial accounting system on a timely basis;
- Timely posting of adjustments with supervisory approval required;
- Timely reconciliation and deposit of funds received

Remote Sites: All remote sites must be approved by the City Treasurer and must have a written department policy and procedure that must include the following:

- A dollar threshold that indicates at such point a remote collection site accumulates in the cash drawer. The aggregate should not be over \$500.00 in cash and/or \$500 in checks/credit card receipts; such funds shall be deposited by the beginning of the next business day.
- Include a time threshold at a minimum whereby all collections shall be deposited within five business days of receipt. Those sites in close proximity to the primary treasury function shall make daily deposits;
- Plan for securing of un-deposited funds in a locked place, such as a safe or secure drawer;
- Accounting of any differences in the cash reconciliation process in a “cash overage/shortage” account. The change drawer shall not be used for the difference;
- Prohibition of use of change drawer to cash personal checks.

2.30 Petty Cash Fund

The following procedural statement shall be used as a basis for the operation of all petty cash funds of the City of Junction City. This policy is in place to ensure the safety of the fund while making monies available for the purchase of small emergency items or the purchase of small items were an account has not been established.

The purpose of the petty cash fund shall be to assist departments with the purchase of items costing less than \$250.00. The usage of the petty cash fund may be used to pay for items such as the following:

- | | |
|------------------|-----------------------|
| Freight bills | Travel Reimbursement |
| C.O.D. fees | Supplies for meetings |
| Postage due fees | Turnpike tolls |

UPS fees	Parking Fees
Copying charges	Witness Fees or Record documents
Required in-town meals	Reference manuals & Books
Food for meetings	Postage
Small repair parts	Key Production
Document recording fees	Non-reoccurring purchases

The above list of items may be reviewed and updated periodically.

The petty cash fund may not be loaned or advanced against the salary of any employee, nor may it be loaned or advanced to enable a Department to make any small purchases. All transactions through the petty cash fund shall be made in the form of a reimbursement.

For each payment from the petty cash fund, the individual requesting the reimbursement shall provide an original receipt and in the case of travel a completed travel reimbursement form. The information required for reimbursement should include transaction a receipt, the amount of the transaction, the reason for the transaction, and the signature of the individual requesting the reimbursement. The person requesting the reimbursement shall also provide the appropriate account number to be charged when the fund is replenished. Disbursements may not be made from the petty cash fund without the above-required supporting documentation.

Each time it becomes necessary to replenish the petty cash fund, and at the end of each fiscal year, the custodian of the petty cash fund shall prepare a report showing the beginning balance, receipts, disbursements, and the ending balance in the fund. A claim voucher shall be prepared and made payable to the Petty Cash Fund, showing the amount needed to bring the cash balance on hand to the maximum amount approved for your location. The above mentioned report, plus the original receipts and attachments, shall be the supporting documentation for the claim voucher. The various account numbers, as provided by the person receiving the petty cash reimbursement, shall be summarized and used to replenish the petty cash fund. Authorization to charge these accounts was secured at the time of reimbursement by the originating Department Head.

The reimbursement check, once received, may be cashed by the custodian and placed with the petty cash fund. Receipt of the reimbursement shall be noted in the perpetual record.

Should the occasion ever arise when the balance of the petty cash fund is over or short, as compared to the supporting documentation and the cash on hand, a special report shall be prepared, signed by the custodian and attached to the petty cash reimbursement showing when the discovery was made and the circumstances involved. Repeated problems in this area shall be the cause for disciplinary actions against the employee charged with the custody of the petty cash fund.

Failure on the part of any employee of the City of Junction City, who is designated custodian of the petty cash fund, to exercise reasonable care in safeguarding the money in the fund, or who willfully permits misuse of the fund in violation of the laws and regulations covering such funds, shall be personally responsible to indemnify the City for any loss of petty cash which might occur and further can be determined to be malfeasant and subject to discharge.

2.31 Escrowed Funds

Funds received by the entity in advance of revenue recognition or funds anticipated to be remitted back to the payee shall be deposited into an interest earning escrow liability account.

- Escrowed funds shall only accrue interest back to the payee if explicitly stated in the escrow agreement; otherwise interest accrues to the associated fund.
- Upon the entity meeting the criteria for revenue recognition, such escrowed funds shall be transferred in a timely manner and recognized as revenue in the applicable fund.
- For performance guarantee escrows, funds shall be returned to the payee upon compliance or transferred to the applicable fund for non-compliance.

2.32 Collection of Receivables

Each department shall establish and maintain an adequate system of internal controls to ensure that receivables are collected in a timely manner.

- All accounts receivable shall be recorded by the entity to permit an analysis of the aging of such receivables (e.g., <30 days, 30-60 days, etc.).
- For those accounts that become past due, proper delinquent notice shall be provided to the payee and continued service restricted, unless continuation of service is required by law or policy, until such accounts are current.
- For those accounts that are greater than 60 days past due and over \$50.00, notice and supporting detail shall be provided to the appropriate collection division for further collection efforts.
- To facilitate collection efforts, departments shall establish information criteria as part of the initial credit application process with the customer (e.g., bank account number, social security number or driver's license number, federal ID number, etc.).
- Assignment to a collection agency shall be considered. When cost effective, a selected collection agency shall be utilized to assure maximum collections.
- Collections of past due accounts may be pursued by any legal means necessary, including, but not limited to one or more of the following:
 - Termination or suspension of services
 - Placing demand on a letter of credit
 - Submittal of account to a private collection agency
 - Submittal of accounts to the State of Kansas set-off program
 - Filing a claim in Small Claims of District Court
 - Process against a 3rd party guarantor of the account
 - Other action as may be appropriate to restore the account to current status, or to maintain the account in current status.

2.33 Returned Checks

The City Treasurer shall establish and maintain an adequate system of internal controls for returned checks. Unless otherwise stated per ordinance or resolution, all checks returned due to insufficient funds shall be processed by the treasury division with departmental assistance.

When a check made payable to the City is returned by the bank on which it was drawn for reasons of insufficient funds, account closed, etc., the returned check will be processed and collected by Treasury. When the check is returned, the City Treasurer will send a letter to the customer telling them we have a returned check on their account. We will give the customer seven (7) days to make the payment, plus a returned check charge set in fee schedule adopted by the City Commission. This payment must be made by cash, cashiers check, or money order. Credit cards are not accepted to redeem returned checks. A returned check renders the payment null and void, and any penalties shall apply as if the payment had never been made. This may include suspension of services, if applicable.

When a customer gives us more than two (2) un-collectible checks within a twelve (12) month period the account will be placed on a cash only status. The customer will receive a letter telling him or her that we will no longer accept checks from him or her as payment on the account or accounts.

Those people placed on cash only status will be listed and the staff will be directed not to accept a check at the cash registers from anyone on this list. If a person on cash only status gives us a check in the night deposit, collection agencies or the mail, the check will be returned to the customer with a letter explaining they are on cash only status and that we are unable to accept their check for payment of the account. The account will be considered delinquent until we receive the proper payment.

The office supervisor will review the cash only status list every six (6) months and a customer's name will be removed from this list if the customer has maintained good credit for at least one (1) full year.

Returned checks not redeemed within the time period allotted shall be referred to the City Attorney for collection or prosecution.

2.34 Bad Debt

Each department shall establish and maintain an adequate system of internal controls to ensure the accurate and timely recognition of an allowance for doubtful account and bad debt expense.

- The amount of the allowance for doubtful accounts shall be based upon the percentage of receivable method or method approved by Finance Director and City Treasurer.
- The computation of the allowance for doubtful accounts shall be performed annually based upon the aging of the receivables and recent history of write-offs at fiscal year end, subject to concurrence by the external auditors.

2.35 Write-offs

Write-offs are allowed under the following conditions:

- Non-tax balances.
- For balances less than \$50.00 and that are greater than 60 days delinquent, all such amounts shall be eligible for write-off upon department head's written concurrence. All balances greater than \$50.00 must be approved by the City Commission before they are written off.
- For balances greater than \$50.00, collection efforts shall be performed for a period equivalent to the statute of limitations or less if bankruptcy has been discharged for account, business no longer exists, or individual is deceased, at which point such amounts shall be written-off upon department head's written concurrence.
- For any account written-off, such customer information shall be retained for as long as practical in an automated system to have continued enforcement of service denied on credit until previously written-off balances have been satisfied.
- Write-offs to taxpayer's account for general property tax balances shall be performed in accordance with state regulations.

All write-offs will be approved by the City Commission at least annually. The ambulance revenue may be adjusted as a write-off for the difference in billing and contractual insurance payments (whether private or Medicare/Medicaid) without Commission approval. All other ambulance write-offs must be approved by the City Commission. Even after a bill is 'written off' the books, the City will attempt to collect what is owed.

2.36 Reimbursements

In general, money received shall be credited to a revenue account. However, on occasion, money we receive is a bona-fide reimbursement of expenditures, and in these cases, may be receipted against the appropriate expense account. This technique must be used judiciously when appropriate. This occur when we make an unplanned and unbudgeted expenditure that is later (but in the same budget year) reimbursed by a third party. The expense account credited must be the same account to which the item was charged. For example, an employee draws advance travel expense, but doesn't spend everything. The amount they return to the City Treasurer may be legitimately credited to the travel expense account. Another example, if the City jointly buys supplies with the County and within the same budget year the County reimburses the City for the supplies.

Regular Reimbursements: We have some situations where a reimbursement might recur for a number of years. For example, we have issued temporary notes for construction of a building, and we are being reimbursed for the redemption of the notes. When a situation like this is known and the expense and revenue can be planned and budgeted for, it should be. It is then a part of our normal way of doing business, and should be included in the communication and disclosure that is a normal part of our budget process.

Reimbursement for clerical error: Under no circumstance should a clerk reimburse an account for an error without management approval. All reimbursements under \$100 shall be approved by the City Treasurer. The Finance Director or City Manager shall approve any reimbursement greater than \$100.

2.37 Donations

Occasionally, Junction City receives donations from private individuals that may be specified for specific purposes, or more general purposes, or to non-specified purposes. Most donations have at least a general purpose. An example might be a memorial contribution to be used for the purpose of the Fire Department.

If the donation or donations are significant and there is a possibility that they may continue for a number of months or years, then a separate expendable trust fund shall be set up, rather than handling them through our regular revenue/expense or the reimbursement procedures. This will not require a separate bank account.

If the donation is a single amount tied to a specific piece of equipment or expense item that was not budgeted or planned, and the circumstances meet other requirements for a reimbursement, then it may be credited to the appropriate expense account.

If the donation, by agreement, is to stretch over a number of years, but the expense occurs up front, then the donations and initial expense need to be reported as revenue and expense. A budgetary amendment may be necessary.

Otherwise, the donation should be recorded to a revenue account, and any expenditure tied to those donations recorded to the expense account, with the tie to the donation documented at the time of the expense.

2.38 Receipts on Behalf of Other Entities

Occasionally, the City will receive checks that are made payable to a City in error, to a City component unit, or to the City and another party. One example might be a check made payable

to the City of Junction City, but it is for a fine due in District Court. In these cases, the City Treasurer will endorse the check and turn it over to the proper authority. A copy of the check will be maintained in a file, along with a note detailing the circumstances to document this occurrence.

2.39 Budgetary Review Responsibility

Revenue collections and accounts receivable shall be monitored in a timely manner. Revenue initiating departments shall have oversight in the formulation of revenue budgets. Revenue budget estimates shall be supported with documented variable assumptions (base, rate, etc.). Monitoring of a revenue budget shall be performed in a timely manner throughout the fiscal year and shall include an analysis of actual vs. budgeted variances. Revised forecasts shall be communicated to the budget division timely and in compliance with all laws and/or regulations. Budgetary responsibility shall be with the revenue initiating department.

CHAPTER 3 - PURCAHSING

All expenditures are controlled by an annual budget at the department level. All purchases shall be made in accordance with City policies and procedures, as well as applicable state and federal laws. The City will endeavor to obtain supplies, equipment and services as economically as possible which provides needed material in a timely manner to avoid interruptions in the delivery of service.

3.01 Responsibility

A. The responsibility of all purchases made by the City is held by the City Commission. The City Commission shall authorize the City Manager to establish procurement rules and regulations for all City personnel. The City Commission has the sole authority for granting any deviation from purchasing regulations.

B. The City Manager is responsible for the City's purchasing system. This responsibility is delegated through the Finance Director to the Accounts Payable Clerk. The City Manager shall be responsible for the conduct of all City departments and shall establish the rules and regulations for the procurement of all goods and services and such rules and regulations shall be applicable to all City employees. If improper purchasing practices occur, the City Manager may invoke disciplinary action(s) upon the individual, division, or department.

C. Department directors and supervisors are responsible for ensuring their departments' purchasing activities are in accordance with the rules and regulations set forth herein. Additionally, department directors are given the responsibility of ensuring that all personnel in their department are knowledgeable of and fully understand purchasing procedures established by the City Manager. Department directors shall properly plan purchases to make better use of budgeted funds through proper planning to obtain proposals, quotations or bids (with an allowable time for delivery). Directors may delegate purchasing authority to their employees. However, the ultimate responsibility remains with the director for the activities of their subordinate employees.

D. Violations of these policies and procedures shall be grounds for disciplinary action up to and including termination and/or criminal prosecution. Any purchase or contract entered into by an elected or appointed City official, department director or employee that violates the rules and regulations defined in this policy manual may be determined to be the *personal and financial responsibility* of that individual.

3.02 Rules & Regulations

All expenditures must meet the following purchase rules and regulations.

A. Department heads are authorized to spend according to their approved budget.

B. Purchases subject to contracts between the City and other governmental bodies are excluded.

C. When any procurement involves the expenditure of federal or state funds, the procurement shall be conducted in accordance with any mandatory applicable federal and state laws or regulations.

D. Purchase Authority Table:

The following table is to be used as a quick reference to determine who makes the purchase on behalf of their department or division.

Dollar Purchase Range	Who makes this purchase?	Purchase Process Used
\$1 - \$999 Small Purchases	<ul style="list-style-type: none"> All City employees as delegated by Department Director 	<ul style="list-style-type: none"> Procurement Card is preferred up to \$750
\$1,000-\$2,500 Informal Solicitations I	<ul style="list-style-type: none"> Department Director 	<ul style="list-style-type: none"> Procurement Card if authorized by Department Director Purchase Order required. Documentation of competition (phone, fax, e-mail, or written quotations) with at least three phone bids
\$2,501-\$9,999 Informal Solicitations II	<ul style="list-style-type: none"> Department Direct with Approval from City Manager 	<ul style="list-style-type: none"> Purchase Order Purchasing will obtain at least three (3) written quotes.
\$10,000 and Over Formal Solicitations	<ul style="list-style-type: none"> City Commission 	<ul style="list-style-type: none"> Department Director will advertise and solicit bids or proposals Department Director will submit for City Commission approval. Purchase order issued after City Commission approval.

3.03 Small Purchases

Non-repetitive purchases of less than \$1,000.00 shall be considered “small purchases” and shall not require a purchase order. Small purchases may be made by the Department Directors or their respective designees without competition or further approval. Purchases shall not be artificially divided so as to constitute a small purchase under this section.

3.04 Informal Solicitation I

Unless otherwise authorized within this manual, any purchase of supplies and services of \$1,000 to \$2,500 shall be made in accordance with the purchases procedures set forth in this section. Purchases *shall not* be artificially divided to circumvent the bid process. Procedures outlined in accounting procedures manual.

3.05 Informal Solicitation II

Unless otherwise authorized within this manual, any purchase of supplies and services of \$2,501 to \$9,999 shall be made in accordance with the purchases procedures set forth in this section. Purchases shall not be artificially divided to circumvent the bid process. Procedures outlined in accounting procedures manual.

3.06 Formal Solicitations (\$10,001 or more)

Competitive Sealed Bids/Proposals Required: Except as otherwise described herein, any expenditure for supplies, materials and equipment or any contract obligating the City of \$10,000 or more shall be purchased under formal competitive sealed bid or competitive proposal procedures.

Competitive Sealed Bid - A competitive sealed bid (IFB – Invitation for Bids) is a method of source selection for a procurement of goods, commodities and/or services estimated to be \$10,000 or more. Award is generally made to the lowest responsive and responsible bidder whose bid complies with the specifications contained in the bid documents. This means that bid price is generally the decisive criterion for determining the vendor who shall receive the award.

Competitive Sealed Proposal - A competitive sealed proposal (RFP - Request for Proposals) is a method of source selection for a procurement estimated to cost \$10,000 or more. Award is generally to the respondent whose offer is considered the ‘best’ when compared and evaluated against established criteria and all other offers. Cost is not the primary focus of the award. Criteria

shall include but not be limited to applicable and appropriate qualifications, experience, referenced successes, and cost factors

Public Notice Required: Notice of purchases of commodities and/or services estimated to cost \$10,000 or more shall be published in the City's official newspaper at least ten (10) days prior to the last day set for the receipt of solicitations. Public notice of solicitations shall state the place, date and time of the bid opening.

Public Records: The City Clerk is responsible for record keeping. All submittals, except confidential or proprietary information as defined by law, are public records and must be retained in accordance with the City's record retention schedule.

3.07 Professional Services Procurement

A. Purpose: The City frequently requires the specialized skills, knowledge, resources, and services of private contractors or consultants to complete complex studies, to develop or revise procedures, to conduct audits, to train staff, to design facilities, or to provide a specialized product. The purpose of this section is to set forth policy and procedures for procuring professional, technical and expert services (Professional Services) expected (1) to cost less than \$25,000 and (2) services expected to cost \$25,000 or more.

B. Authority Under \$25,000: For the purpose of procuring services, any using Department or Department requiring such services may procure them on its own behalf when the total cost is less than \$25,000. Department Directors or their designees are responsible for selection and contract administration. Competition is not required; nevertheless, Department Directors are responsible for selection based on applicable and appropriate qualifications, experience, referenced successes and cost factors.

C. Authority \$25,000 and greater: Professional service selection shall be governed by the following guidelines.

- (a) Not less than three (3) firms shall be contacted to submit proposals for the services required by the City;
- (b) the proposals shall be submitted to the City Commission, which shall award a contract based upon the proposal that is most advantageous to the City, taking into consideration not only price, but also technical competency.

3.08 Non-Responsive Bid Definition

A responsive bid is one that is in substantial conformance with the requirements of the Invitation for Bid. Bidders who substitute their standard terms and conditions for that of the City's bid documents or who qualify their bids in such a manner as to nullify or limit their liability to the City are non-responsive bidders. Determination of non-responsive bidders outlined in accounting procedures manual.

3.09 Responsible Vendor Definition

A "Responsible Vendor" is a person who has the capability in all respects to perform fully the contract requirements and the tenacity, perseverance, experience, integrity, reliability, capacity, facilities, equipment and credit which shall assure good, full and faithful performance. Determination of non-responsibility outlined in accounting procedures manual.

3.10 Bid Irregularities

The City Commission has authority to waive bid irregularities if: **1)** the item being waived is only a matter of form or is an immaterial variation from the exact requirements of the Invitation for Bids; **2)** the item being waived has trivial or no effect on price, quality, quantity, delivery or performance; and **3)** such a waiver would not affect the relative standing of bidders or be otherwise prejudicial to them. Examples of irregularities that may be waived are:

- Failure to furnish with the bid certain required information regarding the vendor's qualifications to perform the contract.
- Failure to submit required descriptive information on the products offered.
- Failure to return the proper number of executed bids or attachments, including certifications and affidavits.
- Failure to return a bid addendum or amendment if on the face of such bid the bidder acknowledges receipt of addendum or amendment or if the addendum or amendment does not have material affect on the bidder's liability under the terms of the contract.
- Failure to sign a bid, when evidence is submitted with the bid that clearly shows that the bid was the one intended by the bidder and that failure to sign was strictly an oversight.

When such irregularities are discovered by the purchasing authority, the bidder is requested to remedy the problem within a reasonable timeframe by later submitting omitted data or by providing a written statement of intent.

3.11 Exemptions to Competitive Solicitation

The following items are **exempted** from competitive bidding:

- Supplies, materials, services costing \$1,000 or less.
- Purchases made cooperatively with other units of government such as the State of Kansas, government cooperative groups, and extended awards from other governmental agencies; the City may, when deemed appropriate, extend its award to other governmental agencies;
- Purchases from federal, state or other local government units;
- Magazines, books and periodicals;
- Supplies, products or services indispensable to the City which are obtainable, for practical purposes, only from a single source, as identified by the City Manager using the procedure herein set forth;
- The material qualifies as an object of fine art;
- A particular material is required to match materials currently in use by the City.
- OEM repair parts purchased from the source vendor.
- Any utility purchase such as phone services, electric, water, wastewater, cable services etc.
- Mail service such as U.S. Postal Service, UPS, and Federal Express.

3.12 Waiver Process to Formal Competitive Bids

The formal bid process may be waived by the City Manager at the request of the Department Director if deemed in the best interest of the city.

3.13 Rejection of Bids

All bids may be rejected when one or more of the following occur:

- All bids exceed the budgeted amount;
- There are no responsible bidders;
- There are no responsive bidders;
- The project is abandoned; or
- The specifications, scope and/or terms and conditions need to be revised.

3.14 Protested Solicitations of Awards

A. Protest: Any actual or prospective bidder, contractor or vendor who is aggrieved in connection with the solicitation or award of a contract and purchase order may protest to the City Manager as set out in this Section. The protest shall be submitted in writing to the City Manager or his/her designated representative, within seven (7) working days after the aggrieved person knows or should have known of the facts giving rise thereto.

B. Authority: The City Manager as set out in the previous subsection shall have the authority to settle and resolve a protest of an aggrieved bidder, contractor or vendor, actual or prospective, concerning a solicitation or award of a contract. A written decision regarding the protest shall be rendered within thirty working days after the protest is filed. This authority shall be exercised in accordance with the City procurement rules and regulations set forth herein. After thirty days no decision is made, the written protest shall be forward to the City Attorney's office for resolution.

3.15 Sole Source Purchase Determination

A. Sole source purchasing is when a written determination has been made by a Department Director and approved by the City Manager or City Commission, that there is only one source practicably or reasonably available to supply a commodity or service. Sole source criteria and procedures outlined in accounting procedures manual,

3.16 Emergency Purchase Definition

A. Definition: An *emergency purchase* is a purchase made when a lack of which would threaten 1) The functioning of City government, 2) the preservation or protection of property, machinery, or equipment, and/or 3) the health or safety of any person.

B. Authority: In case of an emergency as defined above, the City Manager may waive all provisions for competitive bidding. In such instances, the City Manager may delegate this authority to the appropriate Department Director. Emergency needs shall be purchased by informal open market procedure, as expeditiously as possible, at not more than commercial prices. When expenditures are \$10,000 or more, a full report of the circumstances necessitating the emergency action shall be presented for ratification to the City Commission.

C. Procedure: Emergency purchase procedures outlined in accounting procedures manual.

3.17 Purchase Orders

A. Purpose: A purchase order is a document that states the terms and conditions of a proposed transaction and creates a contractual relationship between a vendor and the City. It describes the quantity and quality of the required goods and includes other information, such as shipping terms, delivery dates and location, and the prices quoted in the bid. Purchase Orders are issued by the City Treasurer's Office.

B. When to use Purchase Order: Purchase orders are required for all invoiced purchases of commodities, materials or supplies and services with an expected expenditure of City funds of \$1,000 or more unless otherwise described herein.

C. Process: Purchase orders are issued by the City Treasurer's Office from the requisitions received.

D. Subsequent Changes or Cancellations: Whenever a change of any kind on a purchase order is required, the originating Department shall forward a memorandum that provides the information to be changed and a justification for doing so. **Only the Finance Director or his/her designee is authorized to change and/or cancel the original purchase order.**

E. Approval: Purchase Orders are approved for payment in accordance with final approval authority requirements set forth in this manual.

F. Receiving Procedure: When the material or service is delivered to the Department, the authorized agent of the Department, as assigned by the Department Director, shall inventory and inspect the delivery to ensure the material(s) and/or service(s) are as listed on the shipping document and are in acceptable condition.

If all materials are received in acceptable condition, the receiving Department shall receive these items according to proper procedures, which notifies Accounts Payable to proceed with payment to the vendor as soon as an invoice is received.

If materials and/or services received are damaged or defective, they should not be used. If possible, notation should be made upon the receipt in the presence of the delivery agent. Departments shall notify the Accounts Payable Clerk immediately when damaged or defective commodities are received.

3.18 Procurement Card Program

A. Introduction: The City of Junction City Procurement Card Program is designed to improve the efficiency in processing small dollar purchases (under \$5000) from any vendor that accepts the VISA® Procurement Card. This program shall allow the cardholder to purchase approved commodities directly from our vendors. Each procurement card is issued to a named individual who is responsible for all purchases made with the card. The City of Junction City is clearly identified on the card as the “Corporate” buyer of goods and services. Purchases are exempt from sales tax in the State of Kansas. The Purchasing Division and Accounting Division shall monitor the performance of the program.

B. Purpose of Card: The purpose of procurement card guidelines and policies is to accomplish the following:

- Reduce the cost of high volume, low dollar amount transactions. The program helps reduce the use of check requests, petty cash, and small dollar purchase orders.
- Provide an efficient method of purchasing and paying for commodities and services.
- Reduce field crew travel time involving purchases.
- Reduce paperwork.
- Develop reasonable and enforceable policies, procedures and audit controls. The program is NOT intended to avoid or bypass appropriate purchasing or payment procedures. Instead, the program compliments the existing processes available.
- Increase the number of vendors immediately accessible by the City of Junction City.
- Improve management reporting on low dollar amount transactions.
- Provide for disciplinary action if the procurement cards are misused.
- Ensure that the City bears no legal liability for inappropriate use of the procurement card.

NOTE: The policies and procedures provided herein are minimum standards for Departments. Department Directors may establish additional controls.

C. Conditions on Procurement Cards: All items purchased over-the-counter must be immediately available. All items purchased during one telephone or FAX transaction must be delivered in a single delivery. **No back ordering is allowed.**

D. Prohibited Use of Procurement Cards: The following types of items **MAY NOT** be purchased with a City procurement card, no matter the dollar amount.

- Any item exceeding \$5,000 in value
- Cash advances, cash refunds

- Personal items
- Personal phone calls
- Local (Junction City) gasoline and oil purchases
- Consulting and/or professional services
- Computer hardware or software unless authorized by the Program Administrator.
- “Split” purchases
- Any merchandise, product or service normally considered to be inappropriate use of City funds
- Any commodities ordered for inventory or for a work order

E. Allowable Purchases with Procurement Cards:

- Building/landscape materials
- Contractor Services, e.g. HVAC, electrical, carpentry, etc.
- Catering and food for business use
- Miscellaneous maintenance and repair requirements.
- Office supplies
- General operating supplies
- Uniform and clothing purchases
- Education, i.e. registration for classes, conferences, seminars, etc.
- Postage and freight charges
- Subscriptions, books, videos
- Memberships
- Approved travel expenses such as hotels, fuel, and car rental, shuttle/taxi and airline tickets (a per diem will continue to be issued for travel related meals and personal phone calls. If a per diem is given to an employee, a P-card shall not be used for any personal expenses and personal phone calls related to travel for the City.)

NOTE: All travel expenses including those charged to P-cards must follow all city travel/business expense policies. P-card expenses will be recorded on cardholder’s business expense statement as a P-card expense.

F. Violations for Abuse of a Procurement Card:

- Making purchases which exceed the cardholder’s specific dollar limit. It is the responsibility of the ordering Department to ensure all “extra” charges such as freight handling, set-up, etc., are considered before a procurement card transaction is made. A vendor’s willingness to honor a procurement card transaction exceeding the cardholder’s single transaction limit does not authorize the cardholder to make purchases.
- Purchases from vendors that create conflicts of interest, e.g. companies owned by the City employee or relatives or where the employee has or will gain or benefit directly or indirectly from the purchase.

3.19 Shipping & Handling Purchases

Whenever feasible, the City shall use State of Kansas contracted freight management contract for large or continuing freight transportation to lower the cost of shipping. See the Finance Director for details of this program. The City’s preferred shipping and handling term is ***FOB Destination Junction City***. See accounting procedures manual for recommended procedures and other definitions.

3.20 Contracts

A. Definition: A contract shall mean any agreement enforceable by law between the City and one (1) or more outside parties, regardless of form or title, for the procurement of materials or services. To be effective, a contract must include an offer and acceptance by competent parties and the furnishing of some good or service for an agreed monetary consideration.

B. Contract Approval: **Only the Mayor after approval from the City Commission is authorized to sign contracts which bind the City for the procurement of goods and services** unless a specific delegation or exemption is made by City Commission resolution, code, regulation or letter of authority to another official or employee. Approval thresholds are as delineated in this manual under *Section - Purchasing Authority*.

C. Contracts for Services: Before requisitioning approval of an individual or firm to provide services to the City, the Department should be certain that no violation of the policies set forth in this manual, or any law, including but not limited to Internal Revenue Service (IRS) regulations, will occur. Care must be taken to make sure the service contract does not establish an employer-employee relationship with the City. Generally, the following tests support a personal service contract with an individual:

- The individual has performed similar services on a contractual basis with other clients;
- The individual has paid tax withholding and social security withholding as a self-employed person and agrees to do so during its contract with the City; and
- The individual shall perform the duties independently without direct detailed supervision by the City to include independence in establishing work hours and location of performance of duties.

D. Contract Administration: Departmental contracts shall be administered by the using Department. The Department Director is responsible for designating the contract administrator (a.k.a. project manager) prior to the solicitation of personal service contracts. Public works projects shall be administered by the Public Works Director or designee. The Departmental contract administrator shall be responsible for assuring that the contractual relationship is completed successfully and in accordance with contract terms and conditions. The contract administrator may or may not be a City employee.

Among the activities of a contract administrator is the following:

1. Inspecting, accepting and recording contractor performance,
2. Communicating to and with contractors the City's requirements,
3. Evaluating contractor performance,
4. Notifying Account Payable Clerk, Finance Director and City Manager promptly of any disputes, failures to perform or other problems with contractors (non public works or legal contracts),
5. Documenting all activities of the contract and assuring copies of important documents are retained and/or forwarded to the City Clerk, and
6. Processing payments and contract close-out documents.

Unless otherwise described within this manual, it shall be the Department Director's responsibility to:

1. Maintain the City's record file of the contract,
2. Review and approve all requests for changes in delivery, price or specifications *before* any action is taken by the Department or contractor,
3. Create Purchase Order or price agreement
4. Resolve disputes with Contractors,
5. Issue any cure notices, demand letters or contract default/termination notices to Contractors.

E. Multiyear Contracts: Unless otherwise provided by law, a contract for supplies or services may be entered into for a period of time deemed to be in the best interest of the City, if conditions of

renewal or extension are included in the solicitation. Payment and performance obligations for succeeding fiscal years shall be subject to availability and appropriation of funds thereof. When funds are not appropriated or otherwise made available to support continuation of performance in a subsequent fiscal year, the contract shall be canceled and the Contractor may be reimbursed for the reasonable value of any authorized non-recurring costs incurred. Annual service and product contracts may be renewed by the City Manager and Department Director based on satisfactory performance of the contractor.

3.21 Contract Change Orders

A. Definition: Change orders are issued to cover costs or address changes in terms and conditions associated with unforeseen problems not addressed in the bidding or contract document, or changes/modifications that may be recommended after a contract award.

B. Authority: Change orders on contracts may be approved by the City Manager for amounts less than **\$25,000**. Change orders of \$25,000 or greater must be approved by the City Commission.

CAUTION: All personnel working with contractors must be cautious about making "constructive changes" based upon their "apparent authority." Such changes might result from an innocent statement, such as, "I would like to see you do....." When the contractor proceeds to perform what it considered an instruction and bills the City for the change, a dispute may arise because the change was not properly approved and funds are not available for it. Making such statement(s) may be create personal liability for the charges and be grounds for disciplinary action.

3.22 Check Request

A. Check request finance system requests payment of an invoice by Departments to authorize the Accounts Payable staff to issue a check to a vendor that has provided specific non-competitive goods or services to the City. The Check Request describes the reason for the expenditure and the total amount of the check to be issued. Check Requests will be limited to the following transactions unless approved by the Finance Director or City Manager:

- Monthly P-card payments to the bank
- Subscriptions, newspapers, magazines, and periodicals, etc.
- Training materials - videos, books, tapes, etc. (excludes computer software)
- Travel and other travel business expenses
- Utility services - electric, gas, phone, etc.
- Postage
- Insurance
- Rent of office or storage space
- Facility rental - Conferences, meetings, seminars, etc.
- Filing fees
- Petty cash reimbursements
- Bond/interest payments
- Invoices for goods and services

B. When to use Check Requests: **A check request should be used when the use of a City P-card or any other purchasing method is not possible or practicable.** They may only be used for invoiced payments for specific commodities, materials or supplies and services as described herein.

C. Process: The Department requesting the issuance of the check shall enter the Check Request into City finance system. The associated receipt, invoice, or other verification of valid expenditure shall have the words "OK TO PAY" and the Check Request number written on the face of the document and forwarded to Accounts Payable for payment processing.

D. Approval: Check Requests must be approved for payment in accordance with final approval authority requirements set forth in this manual under *Purchasing Authority*.

CHAPTER 4 - INVESTMENTS

This cash management and investment policy applies to all money and other financial resources available to the City of Junction City for deposit and investment on its own behalf or on behalf of any other entity or individual.

4.01 Objectives

The primary objectives of the City Treasurer's cash management and investment activities are, in order of priority:

- To conform with all applicable federal, state, and other legal requirements (legality)
- To adequately safeguard principal (safety)
- To provide sufficient liquidity to meet all operating requirements (liquidity)
- To obtain a reasonable rate of return (yield).

4.02 Delegation of Authority

In accordance with Municipal Code and all relevant laws and common professional standards and procedures, responsibility for administration of the cash management and investment program is delegated to the City Treasurer, who shall establish procedures for the operation of the cash management and investment program consistent with these cash management and investment policies. Such procedures shall include an internal control structure adequate to provide a satisfactory level of accountability, maintaining records incorporating descriptions and amounts of investments, transaction dates, and other relevant information and regulating the activities of subordinate employees.

4.03 Prudence

All participants in the cash management and investment process shall act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the City.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of the principal as well as the probable income to be derived.

All participants involved in the cash management and investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Investment officials shall avoid any transaction that might impair public trust. As public trust is an important agreement in the investment policy, all participants in the investment process shall seek to act responsibly as custodians of the public trust by eliminating all speculation.

4.04 Internal Controls

The Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the investment officer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- a. Transaction authority
- b. Custodial safekeeping
- c. Written confirmation of transactions for investments and wire transfers

4.05 Authorized for Investments

The Investment Officer may invest in the following:

1. City of Junction City - Idle Funds
 - a. Investments authorized by K.S.A. 12-1675, and amendments thereto.
2. City of Junction City - Proceeds of bonds or temporary notes
 - a. Investments authorized by K.S.A. 10-131, and amendments thereto.
3. Cemetery Endowment
 - a. Investments authorized by K.S.A. 12-1675, and amendments thereto.
 - b. Investments authorized by K.S.A. 12-1410, and amendments thereto.
4. Trust Funds
 - a. Investments established in trust agreements and in accordance with K.S.A. 12-1438 and amendments thereto.
 - b. Investments allowed by K.S.A. 12-1675, and amendments thereto.

4.06 Maturities

Assets of the City may be invested in instruments whose maturities do not exceed the maximum allowed by Kansas Law. Investment maturities shall be scheduled to coincide with projected cash flow needs.

4.07 Designation of Depositories

The City Treasurer may invest idle funds with depositories having offices located in the City of Junction City as provided by K.S.A. 9-1401. Prior to deposit, the governing body shall pass a resolution naming the banks that shall serve as a depository of City funds. This resolution shall also name the individuals who may sign on behalf of the City of Junction City. All financial institutions and dealers which the City conducts business must meet or exceed the following rating requirements of at least one of the nationally recognized rating organizations (“NRSRO” listed below for long-term debt having a term of one year or more):

<u>NRSRO</u>	<u>Long-Term Debt Rating</u>
Moody’s Investment Services	A
Standard & Poors	A
Fitch	A

Banks shall provide their first recent Consolidation Report of Condition (aka Call Report) at the request of the City. Security dealer not affiliated with a bank shall be classified as reporting dealers affiliated with the Kansas City Federal Reserve, as primary dealers. The City Treasurer and the Finance Director are responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners, and custodians. The City Commission shall evaluate such listing at least annually.

4.08 Permitted Investments

Investments shall be made to ensure the availability of funds on a timely and adequate basis for payments of general expenditures and capital outlay projects, both short term and long term, in an expeditious manner.

The following investments may be made with City funds as authorized by KSA 12-1675 and 12-1677b:

- Bank Time Deposits or Certificates of Deposits that are collateralized, meeting the provisions as set forth by KSA 9-1402
- Repurchase agreements
- Municipal Investment Pool Fund
- United States Treasury Bills, Notes, Bonds, or Strips
- US Government Agency and Instrumentality Obligations

Investments in securities described in United States Treasury Bills, Notes, Bonds, or Strips and US Government Agency and Instrumentality Obligations must be acceptable as security for

public funds and shall not be in mortgage-backed securities. In addition, they should not have any more interest rate risk than do direct US Government Obligations of similar maturity. All investments must be collateralized one hundred ten percent (110%) of all amounts over the FDIC coverage to ensure City deposits are secured at all times, event with market fluctuations of securities. All securities shall be physically held by the City Treasurer or investment officer.

4.09 Competitive Placement of Funds

It is in the interest of the City to solicit competitive rate quotations for all investment purchases, consistent with state statutes. The city will maintain a list of interested bidders. Financial institutions may call the city Treasurer to request to be added to the list. Financial institutions that are eligible to bid on the City's investments will consist of banks, trust companies, savings and loan associations, or savings banks with a main or branch office located in the City of Junction City. Bids received from local financial institutions will be compared to the public funds investment rate. If a bid is greater than to the public funds investment rate, the financial institution with the highest bid is awarded the investment. Financial institutions within the City will take precedence over the county financial institutions. If no bids from eligible financial institutions are greater than or equal to the public funds investment rate, bids from financial institutions offering investment instruments may be pursued.

4.10 Purchase of Investments

Investments shall be made to ensure the availability of funds on a timely and adequate basis for payments of general expenditures and capital outlay projects, both short term and long term, in an expeditious manner. Cash flow needs will be projected based upon the weekly or monthly amount of claims paid, the biweekly payroll, bond maturities and anticipated revenue. The local depositories must meet or exceed the public fund investment rate of the Kansas Municipal Investment Pool or the city may invest in such investment pool to maximize the City investments.

4.11 Diversification

It is the policy of the City of Junction City to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling. Institution:

- No more than 55% of the overall portfolio may be deposited in a single bank, except in the case of money center banks, for which the limit is 75%.

Instrument:

- No more than 55% of the overall portfolio may be invested in cooperative investment programs
- No more than 25% of the overall portfolio may be invested in the securities of a single issuer, except the United States Treasury or the Kansas Investment Pool. The 55% limitation does not apply to U.S. Treasury or Agency obligations held in safekeeping by an institution on behalf of the City. These funds are backed by the United States Government and do not require additional collateralization.

Maturity:

- No more than 25% of the portfolio may have a maturity beyond twelve months
- The average maturity of the portfolio shall never exceed one year
- At least 10% of the portfolio shall be invested in overnight instruments or marketable securities that can be sold to raise cash on one business day's notice.

4.12 Repurchase Agreements

Repurchase agreements must be entered to in accordance with KSA 12-1675 and are subject to the following restrictions:

- All repurchase agreements be made with banks, saving and loan associations and savings banks, which have main or branch offices located in such investing governmental unit, for direct obligations of, or obligations that are insured as to principal and interest by the United States government or any agency thereof, and must be on a delivery versus payment basis. All securities must be perfected in the name of the City of Junction City and delivered to the City.
- The City will limit its investment in repurchase agreements to no more than 50% of its portfolio.

4.13 Risk

The City recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. In the event of a default by a specific issuer, the Investment Officer shall review and, if appropriate, proceed to liquidate securities having comparable credit risks.

To control market price risks, every investment shall be made with a “buy and hold” strategy. Only 25% of the City’s portfolio may be invested in maturities greater than one year.

To control risks of illiquidity, a minimum of 10% of the total portfolio shall be held in highly marketable U.S. Treasury Bills, overnight repurchase agreements, money market deposit accounts, bank certificates of deposit or government investment pools. Non-marketable investments with maturities beyond one year shall not exceed 25% of the portfolio.

4.14 Safekeeping, Custody and Pledging

The assets of the City in Federal Book Entry Form shall be secured through third-party custody (the “Custodial Bank”) and safekeeping procedures. The City will enter into a written contract establishing the responsibilities of the custodial bank holding collateral for deposits (the “Custodial Agreement”).

Securities not backed by the full faith and credit of the United States of America, including but not limited to, repurchase agreements and bank certificates of deposit shall be collateralized through the issuance of bank deposit guaranty bonds or joint custody receipts pledged to the City with a market value in an amount equal to or greater than the investments.

Physical securities in registered form shall be held by the Investment Officer in a lock box, within the city’s vault. Investment officials shall be bonded. Collateralized securities such as repurchase agreements shall be purchased using the delivery vs. payment procedure. Safekeeping procedures shall be reviewed annually by an independent auditor.

4.14 Performance Standards

The investment portfolio will be managed in accordance with the parameters specified within this policy. A quarterly report outlining investment activity shall be prepared. Such report shall contain sufficient information to evaluate the performance of the investment program and verify that investment officials have acted in accordance with the investment policy and written investment procedures.

4.16 Policy Considerations

Exemption - Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

4.17 Reporting of Investments

The City Treasurer or investment officer shall generate a report for management purposes whenever the city invests or whenever an investment matures. The report will list all City investments including the purchase date, principal, maturity, interest rate, and institution of the investment.

At minimum, the City Treasurer or the investment officer shall provide a quarterly report listing data on investment instruments being held, as well as any narrative necessary for clarification.

CHAPTER 5 - CAPITAL ASSETS and IMPROVEMENT

This policy is to establish the principles related to the accounting treatment of our capital assets.

5.01 Definitions

Capital assets include land, improvements to land, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, construction in

progress and all other tangible assets that are used in operations, and have initial useful lives extending beyond one year. Infrastructure assets are long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, drainage systems, water and sewer systems, electrical generation production machinery and equipment, and electrical distribution systems and associated equipment.

Land and land improvements is the cost established by the Finance Director that must be met or exceeded if an asset is to be recorded and depreciated as a capital asset. Construction in progress will not be depreciated. All other capital assets will be depreciated over their estimated useful lives, as established by the Finance Director using the straight-line depreciated method of depreciation. In no event shall the useful live of an asset be less than the period of probable usefulness established for debt purposes as defined in the Kansas State Finance Law.

A Capitalization threshold is the cost established by the Finance Director that must be met or exceeded if an asset is to be recorded and depreciated as a capital asset. The capitalization threshold is based on the cost of a single asset. Assets that do not meet the capitalization threshold will be recorded as expenditures or expenses. For purposes of property control (insurance, security, etc.), the Finance Director, with assistance from the department heads may develop and maintain the appropriate record keeping system(s) to account for assets which do not meet the capitalization threshold.

Capital Assets that meet the minimum threshold will be recorded at historical cost. The cost of a capital asset includes capitalized interest and ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition, such as freight and transportation charges, site preparation costs, and professional fees. Donated capital assets will be recorded at their estimated fair value at the time of their acquisition, including any ancillary charges. Estimated historical cost may be used in those cases where the actual historical cost is not readily available. Estimated historical cost will be calculated using current replacement cost of a similar asset and deflating this cost to the acquisition year (or estimated acquisition year) using a price-level index approved by the Finance Director.

Capital assets associated with the operation of enterprise funds will be recorded in those funds. Capital assets associated with general government operations, with the exception of infrastructure assets, will be recorded in the appropriate internal service fund(s). Infrastructure assets will not be recorded in a governmental or proprietary fund but the City Treasurer will establish and maintain the record keeping system necessary to allow for the accounting, auditing, and reporting of such assets, including depreciation.

5.02 Useful Lives and Thresholds of Capital Assets

Class	Assets - New	Capitalization	
		Life (Yrs)	Threshold (\$)
Land	Land & Site Improvements	Inexhaustible	Any Value
Buildings	Buildings	50	10,000
Buildings	Buildings Improvements	50	50,000
Equipment	Ambulance	12	50,000
Equipment	Passenger Vehicles w/ capacity <10 persons	3	5,000
Equipment	Passenger Vehicles w/ capacity >= 10 Persons	5	10,000

Equipment	Computer Hardware & Software	5	1,000
Equipment	Construction Machinery \$5,000-\$29,999	10	5,000
Equipment	Construction Machinery >= \$30,000	15	30,000
Equipment	Boats	10	15,000
Equipment	Firefighting Apparatus	20	50,000
Equipment	Misc. Equipment, Furniture, & Furnishings	5	1,000
Improvements	Fences, Walls, Trails, etc.	20	10,000
Improvements	Docks	10	10,000
Improvements	Dredging	7	100,000
Improvements	Parks & Playgrounds	20	5,000
Improvements	Golf Course Improvements	15	10,000
Improvements	Swimming Pools	15	50,000
Infrastructure	above Ground Fuel Storage Tanks	15	20,000
Infrastructure	Bridges	50	50,000
Infrastructure	Curbs, Sidewalks, Gutters	25	50,000
Infrastructure	Drainage	50	20,000
Infrastructure	Parking Lots	25	20,000
Infrastructure	Sewers	50	10,000
Infrastructure	Streets – Primary	17	50,000
Infrastructure	Streets – Secondary	25	20,000
Infrastructure	Traffic Signals & Signs	25	10,000

5.03 Disposal of Surplus Property

The final step in the procurement cycle is disposition of an item or items when they are no longer useful to the City. The timely identification of surplus and obsolete material(s) is essential to an effective disposition program. Delayed identification ties up capital, results in higher maintenance and salvage costs and further deterioration of the item.

A. **Policy:** The Finance Director is authorized to conduct and monitor the City's surplus property program. The following are the City's general policies for disposition of surplus:

1. The Finance Director may transfer, sell, exchange, or destroy any surplus, obsolete, abandoned, or confiscated property without competitive bidding if such property has a value of less than \$1,000. Such property may be disposed of by appropriate methods as determined by the Finance Director to be in the best interest of the City.
2. No property shall be sold without receiving competitive bids if the value is \$1,000 and greater.

B. **Methods of Disposal:** When items become excess, obsolete or surplus, the using Department must report them to the Treasurer. In cases of disposal of items with an original purchase cost of \$5000 or more, the Treasurer shall be notified in order to update the Department's Fixed Asset Accounts. The following are the methods of disposition that may be used for the items:

a. **Transfer:** Transferring to another Department with a use for the item is the best method of disposition. The Finance Director shall periodically circulate a list of items available for transfer. A Department wishing to accept an item available for transfer shall notify the Finance Director and receive approval for the transfer. Both the transferring and receiving Departments must update their inventory records to document the disposition of the item.

b. **Sale:** There are several methods of selling excess and surplus items.

1. **Auctions.** The City may contract with auctioning service or auction via on-line internet service to sell items to the highest bidder.

2. Sealed Bids. The Finance Director may determine that items shall be sold at a sealed bid sale. Public notice of the sale is made and solicitations are issued to prospective bidders.
 3. Commercial Markets. The Finance Director may determine that items may be offered for sale by consignment to established commercial markets. Candidates for this method of sale include antiques, art and specialized equipment.
 4. Sale of Scrap. Many items that are no longer usable may have a residual value. The Finance Director may arrange for the sale of scrap items.
 5. Posted Prices. From time to time, where there is no regular market and demand is erratic, an item may be marked with a pre-established price and sold to the public on a first-come basis.
- c. Trade-in: The City Manager may determine that it is advantageous to the City to seek bids on replacement items with the bidders allowing/offering trade allowances. Award may be made in the manner that is most advantageous to the City.
 - d. Cannibalization: Disassembling an item to use its components for repair or maintenance of a similar item is authorized only if cannibalization has more value and benefit than disposal or trade-in of the item.
 - e. Donation: Only the City Commission may dispose of an item by donation to a party outside of City government if the item has a value of \$5,000 or more. Donation of items valued at less than \$5,000 shall be approved by the City Manager.
 - f. Waste Disposal Hazardous Materials: There are strict federal and state laws regarding the disposal of hazardous materials. Disposal of Hazardous Materials shall be directed by the City's Fire Chief or Environmental Specialist. Departments shall contact the Fire Chief or Environmental Specialist before moving, transferring or selling any hazardous materials.
 - h. Allocation of Proceeds: Unless otherwise directed by the City Commission or required by a grant, the proceeds from the disposition of surplus or excess property shall be deposited in the City's general fund.
 - i. Sales to Employees: To avoid any appearances of impropriety in the disposition program, employees of the City may not purchase items unless the sale is to the highest bidder at a public or on-line auction, or by sealed bid after appropriate public notification of the sale.
 - j. Disposal of Grant Funded Equipment: When equipment was purchased using funds from State or Federal grant funds, the provisions of the grant must be followed during disposal. It is the disposing Department's responsibility to notify Purchasing of any grant provisions that must be followed. If required by the grant provisions, proceeds from disposal may be returned to the grant-funding agency or Department.
 - k. Disposal of damaged equipment: See cannibalization.

CHAPTER 6 - DEBT MANAGEMENT

The City will maintain a high credit rating in the financial community to: 1) assure the City's taxpayers that the City government is well managed and financially sound; 2) obtain reduced borrowing costs.

6.01 Debt Financing

Debt financing will not be considered appropriate for any recurring purpose such as current operating and maintenance expenditures. The City will use debt financing only for one-time capital improvement projects and unusual equipment purchases, and only under the following circumstances:

- when the project is included in the City's five-year Capital Improvement Plan; or
- when the project involves acquisition of equipment that cannot be purchased outright without causing an unacceptable spike in the property tax rate, or unacceptable depletion of reserves: or
- when the project is the result of growth-related activities within the community that require unanticipated and unplanned infrastructure or capital improvements by the City; and
- when the project's useful life, or the projected service life of the equipment, will be equal to or exceed the term of the financing; and
- When there are designated revenues sufficient to service a debt, whether from project revenues, other specified and reserved resources, or infrastructure cost sharing revenues.

Whenever appropriate, the City should seek to issue debt that can be repaid from special assessments, enterprise fund revenues, or other sources other than a general tax levy from real property.

Annual operating budgets in all funds will be maintained so as to ensure the full and timely repayment of debt principal and interest due the year.

6.02 Debt Criteria

The following criteria will be used to evaluate pay-as-you-go versus debt financing in funding capital improvements:

Factors which favor pay-as-you-go financing include circumstances where:

- the project can be adequately funded from available current revenues and fund balances;
- the project can be completed in an acceptable timeframe given the available revenues;
- additional debt levels could adversely affect the City's credit rating or repayment sources; or
- market conditions are unstable or suggest difficulties in marketing a debt.

Factors which favor long-term debt financing include circumstances where:

- revenues available for debt issues are considered sufficient and reliable so that long-term financing can be marketed with an appropriate credit rating, which can be maintained;
- market conditions present favorable interest rates and demand for City debt financing;
- a project is mandated by state or federal government and current revenues or fund balances are insufficient to pay project costs;
- a project is immediately required to meet or relieve capacity needs and existing unprogrammed cash reserves are insufficient to pay project costs; or
- the life of the project or asset financed is five years or longer.

6.03 Net Interest

City debt will be structured to achieve the lowest possible net interest cost to the City given market conditions, the urgency of the capital project, and the nature and type of any security provided. City debt will be structured in ways that will not compromise the future flexibility to fund projects. Moreover, to the extent possible, the City will design the repayment of its overall debt issues so as to rapidly recapture its credit capacity for future use. As a benchmark, the City

shall strive to repay at least 30% of the principal amount of its bonded debt within five years and at least 60% within ten years.

6.04 Benchmarks

The decision on whether or not to assume new general obligation or Public Building Commission bonds shall, in part, be based on (a) costs and benefits, (b) the current conditions of the municipal bond market, and (c) the City's ability to assume new general obligation bonds as determined by the aforementioned benchmarks.

6.05 Revenue Bonds

The City may issue bonds secured solely by dedicated non-ad valorem revenue streams if doing so will yield clearly identifiable advantages. For the City to issue revenue bonds, a primary objective will be to minimize risk through the use of adequate coverage requirements while remaining in compliance with overall debt management policy objectives. The City will adhere and where necessary take actions to ensure compliance with all outstanding revenue bond covenants.

6.06 Special Assessments

The City shall maintain a watchful attitude over the issuance of special assessment bonds for benefit district improvements (see City Development Policy).

6.07 Debt Limit

The City shall not assume more debt than it retires each year if it will cause the City to exceed the Kansas statutory limit of 30% of the City's assessed valuation as per KSA 10-208 through 10-311 and 10-427 and any other applicable laws. In 2009, however, the City of Junction City was granted by the State Legislature a debt limit of 40% of the City's assessed valuation for a period not to exceed a period of 10 years.

6.08 Capital Debt

The City will consider debt financing for the acquisition, replacement, or expansion of physical assets (including land) only if a capital project has a useful life longer than the term of the bond issue supporting it. Debt will be used only to finance capital projects and equipment, except in the case of unforeseen emergencies. Debt will not be issued for periods exceeding the useful life or average useful lives of the project or projects to be financed.

6.09 Debt Period

City debts will be amortized for the shortest period consistent with a fair allocation of costs to current and future beneficiaries or users, and in keeping with other related provisions of this policy. The City normally shall issue bonds with a maximum life of 20 years or less for general obligation bonds and revenue bonds, and 15 years or less for special assessment bonds.

6.10 Balloon Payments

Unless specific compelling reasons exist there shall be no "balloon" bond repayment schedules, which consist of low annual payments and one large payment of the balance due at the end of the term. There shall always be at least interest paid in the first fiscal year after a bond sale and principal repayment starting no later than the second fiscal year after the bond issue.

6.11 Bond Call and Refunding

Call provisions for bond issues shall be made as short as possible consistent with the lowest interest cost to the City. Unless specific compelling reasons exist, all bonds shall be callable only at par. Periodic reviews of all outstanding debts will be undertaken to determine refunding

opportunities. Refunding will be considered (within federal tax law constraints) if and when there is a net economic benefit of the refunding or the refunding is essential in order to modernize covenants essential to operations and management.

City staff and the financial advisor shall monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debts. As a general rule, current refunding will be undertaken only if the present value savings of a particular refunding will exceed 2% of the refunded principal. As a general rule, advance refunding will be undertaken only if the present value savings of a particular refunding will exceed 2% of the refunded principal.

Refunding issues that produce a net present value savings of less than targeted amounts may be considered on a case-by-case basis. Refunding issues with negative savings will not be considered unless a compelling public policy or financial management objective is served by the refunding.

6.12 Bond Amortization

At a minimum, the City will seek to amortize general obligation bonds with level principal and interest costs over the life of the issue. Pushing higher costs to future years in order to reduce short-term budget liabilities will be considered only when natural disasters or extraordinary or unanticipated external factors make the short-term cost of general obligation bonds prohibitive.

6.13 Pledge Review

Any capital financing proposal of a City division, agency, or utility involving the pledge or other extension of the City's credit through sale of bonds, execution of loans or leases, or otherwise involving directly or indirectly the lending or pledging of the City's credit, shall be referred to the Finance Department for review before such pledge is considered by the City Commissioners.

6.14 Bond & Interest Fund

All payment of general obligation bonds and special assessment bonds shall be from the City's Bond & Interest Fund. The fund balance in the Bond & Interest Fund will be maintained at a level equal to or greater than 5% of the total principal and interest payable from that Fund for the upcoming semi-annual debt service payment. Furthermore, the fund balance will be managed to eliminate or minimize arbitrage rebate liability.

6.15 Bond Counsel

The City will utilize external bond counsel for all debt issues. All debts issued by the City will include a written opinion by Bond Counsel affirming that the City is authorized to issue the debt, stating that the City has met all Federal and State constitutional and statutory requirements necessary for issuance, and determining the federal income tax status of the debt.

6.16 Financial Advisor

The City will retain an external financial advisor selected for a term of up to three years through a competitive process administered by the Finance Director. The utilization of the financial advisor for each debt issuance will be at the discretion of the Finance Department on a case-by-case basis. For each City bond sale the financial advisor will provide the City with information on pricing and underwriting fees for comparable sales by other issuers.

6.17 Temporary Notes

Use of short-term borrowing, such as temporary notes, will be undertaken only in the event of extreme financial emergency or if the transaction costs plus interest on a debt are less than the cost of internal financing, or available cash or reserves are insufficient to meet both project needs

and current obligations. Temporary Notes may only be used to finance a project for four years or less and follow Kansas budget law.

6.18 Credit Enhancement

Credit enhancement (letters of credit, bond insurance, etc.) may be used if the costs of such enhancements will reduce the net debt service payments on the bonds or provide other significant financial benefits to the City.

6.19 Lease/Purchase Agreements

The use of lease/purchase agreements in the acquisition of vehicles, equipment and other capital assets shall be considered carefully relative to any other financing option or a "pay-as-you-go" basis. The lifetime cost of a lease typically will be higher than other financing options or cash purchases. Nevertheless, lease/purchase agreements may be used by the City as funding options for capital acquisitions if operational or cash-flow considerations preclude the use of other financing techniques.

6.20 Sale of Bonds

The City, as a matter of policy, shall seek to issue its general or revenue bond obligations in a competitive sale unless it is determined by the Director of Finance that such a sale method will not produce the best results for the City. In such instances where the City, through a competitive bidding for its bonds, deems the bids received as unsatisfactory or does not receive bids, it may, at the election of the Director of Finance, enter into negotiation for sale of the bonds.

6.21 Arbitrage

Federal arbitrage legislation is intended to discourage entities from issuing tax-exempt obligations unnecessarily. In compliance with the spirit of this legislation, the City will not issue obligations except for identifiable projects with very good prospects of timely initiation. Temporary notes and subsequent long-term bonds will be issued timely as project contracts are awarded so that debt issues will be spent quickly.

6.22 Financial Disclosure

The City is committed to full and complete primary and secondary financial disclosure, and to cooperating fully with rating agencies, institutional and individual investors, City departments and agencies, other levels of government, and the general public to share clear, comprehensible, and accurate financial information. The City is committed to meeting secondary disclosure requirements on a timely and comprehensive basis.

Official statements accompanying debt issues, Comprehensive Annual Financial Reports, and continuous disclosure statements will meet (at a minimum), the standards articulated by the Government Accounting Standards Board (GASB), the National Federation of Municipal Analysts, the Securities and Exchange Commission (SEC), and Generally Accepted Accounting Principles (GAAP). The Director of Finance shall be responsible for ongoing disclosure to established national information repositories and for maintaining compliance with disclosure of standards promulgated by state and national regulatory bodies.

6.23 Management Responsibility

It shall be the responsibility of the City Manager, Finance Director, City Clerk and City Treasurer to maintain all necessary documents associated with the issuance of city debt.

The City Manager shall submit for consideration by the City Commission a fiscal impact statement prior to any City Commission action to authorize a project involving the issuance of debt. The fiscal impact statement shall contain, at a minimum, an estimate of the debt service

levy to be required at the time of long-term debt issuance and a calculation showing the impact of the additional levy on the existing debt service levy or the projected user fee rate increases in the case of revenue bond financing, and the impact on any bond debt limitations or requirements set forth by policy or state laws.

CHAPTER 7 - RISK MANAGEMENT

7.01 Risk Management and Communication Policy

A. Definition: Risk Management functions to protect City resources such as employees, buildings, equipment, vehicles, and financial assets. The City will manage its risk and limit risk exposure in a professional and prudent manner.

B. Risk Assessment: The City shall make diligent efforts to protect and preserve City assets against losses that could deplete City resources or impair the City's ability to provide services to its citizens. The City shall reduce its exposure to liability through training, safety programs, risk financing and the transfer of risk when cost effective.

C. Risk Management Tools: When cost effective, the City shall manage its exposure to risk through self insurance and/or the purchase of traditional insurance in the following areas:

- General liability
- Automobile liability
- Public officials' errors and omissions
- Police professional liability
- Property loss and workers' compensation
- Employee health
- Short-term disability

D. Hold Harmless: When cost effective, the City will further control its exposure to risk through the use of hold harmless agreements in City contracts and by requiring contractors to carry liability insurance.

E. Risk Management Broker: When cost effective, the City will utilize the services of a Risk Management Broker. The Risk Management Broker will examine, analyze, and advise on all aspects of the City's risk exposure. The Risk Management Broker shall be retained under a fee-for-service contract and will not receive a commission. The Risk Management Broker services shall be retained on a year-to-year basis and re-bid every three (3) years.

7.02 Contract Review and Administration Policy

Contracts are required whenever the City agrees to specific ongoing terms or desires to bind a vendor or consultant to specific terms in conjunction with the purchase of goods or services, regardless of the purchase amount. Contracts are not necessary when a purchase is simply the payment of money in exchange for goods and there are no other obligations placed on either party.

All contracts, leases, and rental agreements must be reviewed by management, approved as to form by the City Attorney, and approved by the City Commission. An original or a certified copy of each signed agreement will remain on file with the City Clerk.

All contracts shall be reviewed annually for compliance and reauthorization, if required.

CHAPTER 8 - OTHER FINANCIAL POLICES and PROCEDURES

8.01 Wire Transfers

The city receives wire transfers from various entities including: the State of Kansas and the Federal Government.

The State of Kansas sends sales tax proceeds monthly to the city via wire. The financial institution verifies the receipt and notifies the city by telephone. Within one to two days the State sends a letter with the breakdown of city and county tax monies. The City Treasurer upon receipt of the letter from the State of Kansas prepares and posts a journal entry using the date of receipt. The Finance Director shall verify the receipt of sales taxes monthly.

Federal funds are received for the various grant programs. These funds are requested via reimbursement request forms or telephone by city staff. The City Treasurer verifies receipts of these funds during the monthly checking account reconciliation. In addition, the Finance Director monitors the receipts of these funds.

The City receives funds three times per month via ACH water bill payments from utility customers. The diskette is prepared by the data processing department, and hand carried to our bank for processing. The Accounts Receivable Clerk verifies the accuracy of these collections by comparing the hard copy of the bills to what we have actually received in the city's bank account.

The city has a Direct Payroll Program utilizing ACH transactions. The data processing department prepares a diskette and hand carries this diskette to the bank. On payday (26 paydays annually) funds are debited from the city's bank account and distributed to employees on the program. A wire transfer authorization form will be prepared by the payroll clerk approved by the Director of Finance and filed by the Senior Accountant. Monthly the City Treasurer verifies the amount paid by comparing the hard copy of direct payroll to what was actually taken from the city's bank account.

The city pays for General Obligation and Revenue Bonds by authorizing the State of Kansas to debit the city's bank account via ACH and debit the city's municipal investment pool account. Bond payments are made four times annually. The State of Kansas debits the city's bank account one day before the due date. In accordance with city policy the commission authorizes payment via a memorandum on the city commission agenda. The City Clerk and Finance Director both verify the payment of bonds in their monthly reconciliation in addition the city is audited by an independent accounting firm that specifically reviews bond transactions.

The City Treasurer wires monies between local financial institutions and the State of Kansas. All wire transfers must be approved by the Director of Finance and the approved authorization form kept on file.

8.02 Payment in Lieu of Taxes

All payment in lieu of taxes must meet Kansas Statute requirements and generally apply to industrial revenue bonds. The following outlines the basic procedure for establishing a payment in lieu of taxes:

- A. Upon final approval of the requested tax exemption by the City Commission, the City Clerk will provide a copy of the Ordinance authorizing said exemption and a copy of the final Payment in Lieu of tax agreement to the County Appraiser.
- B. Upon receipt of the final order from the Kansas Board of Tax Appeals exempting property from ad valorem property taxes pursuant to the issuance of Industrial Revenue Bonds, the County Appraiser shall annually determine, for each property exempted, by property type as identified in the Agreement For Payment In Lieu of Taxes, the appraised value, the assessment

percentage, the assessed value, the exemption percentage, and the In Lieu of value. For existing buildings with additions or improvements, the County Appraiser shall also identify the ratio between the Pre-Improvement Value and the Improvement value for the first year of the exemption period. The In Lieu of value shall be the total of the assessed values of various classes of property identified in Section 2 of the Agreement For Payment In Lieu of Taxes multiplied by the payment in lieu of taxes percentage identified for that property. In each succeeding year, The County Appraiser shall, on or before July 1, certify to the Clerk the appraised value, the assessment percentage, and the assessed value, itemized by property owner and bond issue, on a form to be provided by the City.

C. The City shall review information provided by the County appraiser for completeness, consistency, and accuracy to the extent they are able to determine. The Clerk shall, at the time of certification of other ad valorem property taxes, certify said information to the County Clerk, in substantially the same format provided in Attachment 1, accompanied by the electronic version of the same information.

D. The County Clerk shall determine the final amount of in lieu of tax due, based on the in lieu of value and the final total mill levy rate for all taxing entities having jurisdiction over the subject property. The County Clerk shall certify to the County Treasurer, as a special in lieu of tax, at the same time as certifying other taxes, the amount due for each property. Along with said certification, the County Clerk shall transmit to the County Treasurer the previously identified spreadsheet, on which the distribution of in lieu of taxes has been calculated.

E. The County Treasurer shall bill the amount due out as in lieu of taxes. Upon receiving payment of the same, the County Treasurer shall apportion said payment among all of the taxing jurisdictions having authority over the subject property.

F. The County Treasurer shall, on or before January 31 of each year, provide a report to the City Treasurer and City Manager showing the amount of in lieu of taxes billed and paid during the previous twelve (12) months, by taxpayer, and note any delinquencies thereon.

G. Nothing in this agreement shall preclude mutually acceptable administrative adjustments to the procedure to provide for increased efficiency of the process, so long as the intent and purpose of this agreement is maintained. The agreement shall continue in force until notice of termination is provided by either party of at least 30 days notice of its intention to do so prior to July 1st of any year.

8.03 Intergovernmental Revenues

Many service costs of the City are influenced by other governments, either because of service overlap or service mandates imposed by the county, state, or federal government. The City should take advantage of opportunities to enhance service delivery through intergovernmental cooperation, shared revenues, and grants while aggressively opposing mandates that distort local service priorities.

The City will refrain from using grants to meet ongoing service delivery needs. In particular, the City will not apply for grants that involve the hiring of personnel either on a one-year or multi-year basis for which the City will ultimately have to provide the total cost of hiring personnel without first having ascertained whether or not future funds will be available to offset the expense of hiring additional personnel. A judgment will also be made prior to applying for such a grant as to whether additional personnel are indeed needed on a long-term basis for the best service provision to the citizens of Hays. In the City's financial planning, grants will be treated in the same manner as all other temporary and uncertain resources and will not be used to fund ongoing, basic service needs.

All grant agreements will be reviewed by the appropriate City staff, including Finance, City Attorney's Office, and sponsoring department, to ensure compliance with state, federal, and City regulations.

When possible, the City will budget expenditures for grant-funded programs only after the grant award notice or letter of commitment has been received, and only for the amount of the grant award. City overhead or indirect costs for grant-funded programs will be included in all grant proposals, where permitted.

The City will aggressively oppose state or federal actions that mandate expenditures which the City Commission considers unnecessary. The City will pursue intergovernmental funding to support the incremental cost of those mandates.

The City will work with other governments to identify the jurisdiction most capable and appropriate to provide specific public services. All intergovernmental agreements and contracts for service delivery will be brought forward to the City Commission for approval.

8.04 Economic Development

The City's economic base is an important element in determining the City's credit rating and has a dramatic influence on the City's financial health.

The City shall continue to expand and diversify its economic base by attracting industrial and commercial firms. Special emphasis should be given to industrial and commercial enterprises that will employ the local labor force. Additional emphasis shall be made to recruit and expand the available workforce. Such business and industry will be in accordance with the plans and ordinances of the City.

The City will continue to partner with the County in funding the Junction City Economic Development group to provide the current economic development incentives as spelled out in the Economic Development Policy.

The City will perform a fiscal impact analysis on each economic development investment that evaluates the economic costs, economic benefits, intrinsic benefits and the levels of each type of risk associated with the economic development investment.